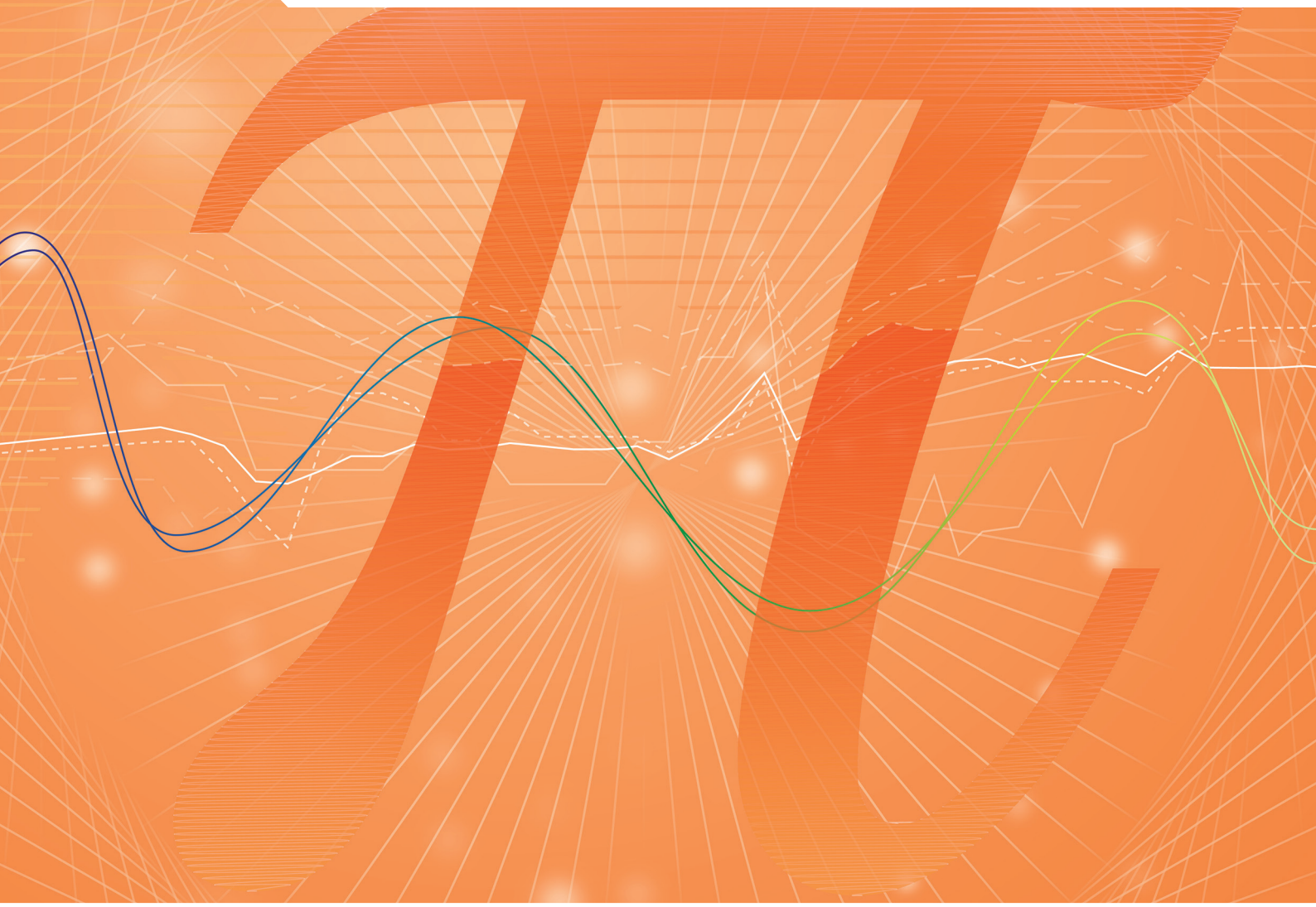
Economic Policy Reforms

Going for Growth

2017



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Economic Policy Reforms 2017

GOING FOR GROWTH

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Please cite this publication as:
OECD (2017), *Economic Policy Reforms 2017: Going for Growth*, OECD Publishing, Paris.
http://dx.doi.org/10.1787/growth-2017-en

ISBN 978-92-64-27031-2 (print)
ISBN 978-92-64-27039-8 (PDF)

Annual: Economic Policy Reforms
ISSN 1813-2715 (print)
ISSN 1813-2723 (online)

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Going for Growth *was launched in 2005 as a new form of structural surveillance complementing the OECD's long-standing country and sector-specific surveys. In line with the OECD's 1960 founding Convention, the aim is to help promote vigorous sustainable economic growth and improve the well-being of OECD citizens.*

This surveillance is based on a systematic and in-depth analysis of structural policies and their outcomes across OECD members, relying on a set of internationally comparable and regularly updated policy indicators with a well-established link to performance. Using these indicators, alongside the expertise of OECD committees and staff, policy priorities and recommendations are derived for each member and, progressively since the 2011 issue, several non-member countries (Argentina, Brazil, the People's Republic of China, Colombia, Costa Rica, India, Indonesia, Lithuania, the Russian Federation and South Africa). From one issue to the next, Going for Growth *follows up on these recommendations and priorities evolve, not least as a result of governments taking action on the identified policy priorities.*

Underpinning this type of benchmarking is the observation that drawing lessons from mutual success and failure is a powerful avenue for progress. While allowance should be made for genuine differences in social preferences across OECD members, the uniqueness of national circumstances should not serve to justify inefficient policies. In gauging performance, the focus has traditionally been on average income, productivity and employment. In order to better reflect the multi-dimensional nature of well-being, the Going for Growth *framework for selecting priorities now considers inclusiveness as a prime objective, alongside productivity and employment. For this purpose, inclusiveness encompasses dimensions such as inequality and poverty, job quantity and job quality, along with labour market inclusion of vulnerable groups, gender gaps and equity in education, and health outcomes.*

Going for Growth *is the fruit of a joint effort across a large number of OECD Departments.*

www.oecd.org/economics/goingforgrowth

Editorial: A policy agenda for growth to benefit all

The prolonged period of stagnating living standards that has affected a large share of the population in many countries is undermining confidence in governments' reform agenda and raising stiff political resistance to continued efforts. Many reforms take time to bear fruit, in particular in an environment of persistently weak demand and uncertain growth prospects, and they often create winners and losers. Growing political headwinds is clearly one factor contributing to the steady slowdown in the pace of reforms observed since the post-crisis peak of 2011-12. Yet, governments in most countries need reforms of structural and macro policies both to escape the low-growth trap and prepare for rapid technological changes. So, to let down on the pace of reforms is not the appropriate response as this carries a bigger risk to both short and medium-term growth prospects.

A better course of action is to make far more of the potential synergies between labour, product and financial market reforms, while putting attention to measures that can also best support demand in the near term, addressing the concerns of those bearing the costs of reforms, and ensuring that the gains are widely shared. This 2017 *Going for Growth* report helps governments from OECD and selected non-OECD countries to pursue such course of action by proposing policy packages to boost productivity and employment, while ensuring that the benefits from reforms accrue rapidly and reach a vast majority of workers and households. The outcome is a country-specific policy agenda, reflecting their own challenges and objectives in terms of productivity and employment, as well as income distribution and other aspects of inclusiveness.

In looking back at reform achievements in the areas of *Going for Growth* recommendations over the past two years, one encouraging development is the increase in the number of actions taken to lift employment. This is an indication of the greater attention that governments have paid to promoting inclusiveness, in particular with measures to facilitate the labour market integration of youth and low-skilled workers. In many countries, notably France and Italy, labour tax wedges on low-wage earners have been reduced to boost job creation, while individualised job-search support and wage subsidies have been stepped-up to facilitate the return to work of the unemployed. These efforts are paying off. Employment rates among youth and low-skilled workers have risen quickly on average across the OECD in the past 2-3 years, despite subdued growth. Still, in these and other countries, mainly from Southern Europe, the proportion of youth neither in employment, nor in education or training remains well above the pre-crisis level.

Governments have also intensified their efforts to reduce the barriers women often face in joining the labour force and fulfilling career aspirations, supporting higher potential output. In countries such as Germany, Japan and Korea, governments have boosted childcare and early childhood education. Considering the significant positive impact in

terms of stronger growth and lower income inequality, further actions are needed to encourage more women joining and staying in the labour force. In Japan and Korea, this includes promoting a work-place culture that better supports work-life balance. In emerging-market economies, high informality remains a major barrier to both inclusion and growth. Specific policy remedies vary, but in countries such as Chile, India, Indonesia and Turkey, they typically include reforms of strict labour regulation combined with the development of social safety nets.

Achieving greater inclusiveness and reducing inequalities of income and opportunities as well as poverty are important objectives for the well-being of citizens and winning back their trust. They are necessary for safeguarding social cohesion and sustaining growth in the longer run. But achieving stronger growth on a sustained basis also requires addressing the productivity slowdown and its underlying causes. The experience from the past two decades has shown that rapid technological advances do not automatically translate into broadly-based productivity and income gains, including in the lower part of the earnings distribution. Ensuring that progress in technology and knowledge turns into higher and more widespread gains requires that workers, business managers and governments be better equipped to acquire the skills and adopt the organisational structures and regulatory settings needed to keep up with the pace of innovation.

Consider first the role of skills development. There are good reasons to believe that under current policies and institutions future advances in digital technologies and the expansion of knowledge-based capital are likely to further increase inequality through skill-biased technological change, accelerated job displacement and winner-takes-all dynamics. One response is to ensure that young people are prepared for the dynamic labour market of the future by acquiring the right cognitive and non-cognitive skills. This report includes a range of specific recommendations to improve outcomes and equity in basic education, a priority that is common to a majority of countries.

Another response, likely to yield more rapid and inclusive results, is to devote much more attention to the significant share of workers who are either over- or under-skilled for their job. Addressing skills mismatch through better vocational education and training systems as well as adult or lifelong learning programmes is also a priority for many countries, including Italy, Spain and the Baltics. In these countries and elsewhere, closer relationships between business and educational offering will better anticipate skills most likely to be in demand, help ensure that job market needs are reflected in educational and professional developments, and enable workers to navigate through the more rapid turnover of firms, jobs, and tasks of the future. Similarly, a priority shared by many countries is to strengthen job-search assistance and other active labour market policies to facilitate the return to work in quality jobs. Finally, reducing barriers to labour mobility, including through reforms of housing market policies and the decoupling of pension and other rights from specific jobs, will also help improving skills matching.

Consider next the role of businesses. Recent OECD analysis has shown that one way to achieve higher overall productivity is to promote stronger and faster diffusion of innovation from leading to lagging firms. But in order to catch up with industry leaders and make the most of new technologies and workers' skills, lagging firms must be given incentives to make the necessary investment in R&D, new digital equipment and organisational know-how. In countries such as Australia, Canada, Chile, Mexico, the United

Kingdom and a few others across the European Union, governments can help by improving the level and efficiency of public support for private R&D as well as by facilitating the collaboration between research centres (or universities) and industry.

Beyond direct public support measures, greater international openness remains a powerful vehicle for the rapid diffusion of innovation and productivity. This applies both to the diffusion of technology through trade in goods and participation in global value chains, and to the diffusion of entrepreneurial know-how and managerial best practice through foreign investment and the presence of multinationals. One key factor underpinning the success of firms operating in international markets is the quality of transport and communication infrastructures. Following years of weak public investment in many advanced economies and given the growth bottlenecks in most emerging-market economies, improving the quality of public infrastructures is a priority for several OECD and non-OECD countries, notably Brazil, India, Indonesia, the United Kingdom and the United States.

Another key factor is the high quality and efficiency of a broad range of business services. In a majority of countries, the scope for reducing regulatory barriers to firm entry and competition remains substantial, especially in services. In the European Union, regulatory fragmentation continues to hinder cross-border competition in services. Despite the more rapid pace of change, progress in reforming product market regulation has slowed significantly in recent years, contributing to an increasing gap between high- and low-productivity firms. In fact, the trend decline in business dynamism and the growing survival of low-productivity firms suggest that barriers to firm entry and exit may have risen.

But product market regulation is by no means the only factor having an influence on firm turnover and competition. A sound legal and judicial infrastructure and robust financial markets that serve the real economy also play an important role. This is one reason why continued efforts to strengthen the rule of law and fight against corruption, improve the governance of state-owned enterprises, increase the efficiency of bankruptcy procedures and the financial sector, or speed-up the resolution of non-performing loans in the banking system top the reform agenda in countries such as Argentina, China, India, Indonesia, Italy, Mexico, Russian Federation and South Africa.

Encouraging innovation and business dynamism, including through greater market openness, is thus crucial to achieve healthy and sustained growth but does not necessarily or automatically go hand in hand with inclusiveness. When stronger overall productivity comes from lagging firms closing the performance gap vis-à-vis leading firms, this can help reduce wage inequality. Still, the effectiveness of redistribution through tax and transfer policies may also need to be strengthened to ensure that the benefits from technological progress and globalisation are broadly shared.

Structural policies in labour, product, and financial markets are key for productivity, employment and inclusiveness. But, these policies operate within a macroeconomic policy framework. Fiscal initiatives embodying spending and taxes in support of structural policies would weave together policies in a coherent way. Public investment in basic education, R&D and infrastructures, or lower labour taxes combined with spending on programmes to help workers upgrade skills and find jobs, are examples of measures that can support demand in the short run and boost growth in the longer run. Collective action and spill-overs are further aspects of how domestic policies interact in the global

environment. The case for international cooperation and collective approaches through international fora is particularly compelling in the areas of intangible capital, taxation, competition law enforcement, migration and regulatory harmonisation.

Catherine L. Mann
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Table of contents

ISO codes 12

Executive summary 13

Chapter 1. **Overview of structural reform progress and identifying priorities in 2017** . . . 17
Main findings 18
Introduction 18
Progress on reform priorities since 2015 19
Performance challenges and reform priorities in 2017 28
Notes 43
References 43

Annex 1.A1 45

Chapter 2. **Integrating inclusiveness in the *Going for Growth* framework** 57
Main findings 58
Introduction 59
A flexible framework for integrating inclusiveness in the identification of Going for Growth priorities 59
A first look at inclusiveness: cross-country patterns in income distribution 65
Going beyond income distribution: inclusiveness challenges and potential policy remedies 72
Notes 84
References 86

Annex 2.A1. The Going for Growth dashboard of inclusiveness indicators 90

Chapter 3. **Reform agenda for 2017: Overview and country notes** 109
Introduction 110
GDP per capita and inequality differences across countries 110
Overview of policies to enhance labour utilisation 113
Overview of policies to enhance labour productivity performance 121
Notes 130
References 130

Argentina 133
Australia 137
Austria 141
Belgium 145
Brazil 149
Canada 153
Chile 157

China 161
Colombia 165
Costa Rica 169
Czech Republic 173
Denmark 177
Estonia 181
European Union 185
Finland 189
France 193
Germany 197
Greece 201
Hungary 205
Iceland 209
India 213
Indonesia 217
Ireland 221
Israel 225
Italy 229
Japan 233
Korea 237
Latvia 241
Lithuania 245
Luxembourg 249
Mexico 253
Netherlands 257
New Zealand 261
Norway 265
Poland 269
Portugal 273
Russian Federation 277
Slovak Republic 281
Slovenia 285
South Africa 289
Spain 293
Sweden 297
Switzerland 301
Turkey 305
United Kingdom 309
United States 313

Chapter 4. **Structural policy indicators** 317

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Country code	Country name	Currency code
ARG	Argentina	ARS
AUS	Australia	AUD
AUT	Austria	EUR
BEL	Belgium	EUR
BRA	Brazil	BRL
CAN	Canada	CAD
CHE	Switzerland	CHF
CHL	Chile	CLP
CHN	China	CNY
COL	Colombia	COP
CRI	Costa Rica	CRC
CZE	Czech Republic	CZK
DEU	Germany	EUR
DNK	Denmark	DKK
ESP	Spain	EUR
EST	Estonia	EUR
FIN	Finland	EUR
FRA	France	EUR
GBR	United Kingdom	GBP
GRC	Greece	EUR
HUN	Hungary	HUF
IDN	Indonesia	IDR
IND	India	INR
IRL	Ireland	EUR
ISL	Iceland	ISK
ISR	Israel	ILS
ITA	Italy	EUR
JPN	Japan	JPY
KOR	Republic of Korea	KRW
LTU	Lithuania	EUR
LUX	Luxembourg	EUR
LVA	Latvia	LVL
MEX	Mexico	MXN
NLD	Netherlands	EUR
NOR	Norway	NOK
NZL	New Zealand	NZD
POL	Poland	PLN
PRT	Portugal	EUR
RUS	Russian Federation	RUB
SVK	Slovak Republic	SKK
SVN	Slovenia	EUR
SWE	Sweden	SEK
TUR	Turkey	TRL
USA	United States	USD
ZAF	South Africa	ZAR

Note: EU refers to the average of 22 European Union members of the OECD.

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Executive summary

Governments cannot afford to let up on reform if they want to escape the low-growth trap many of them are facing and to ensure that the gains of economic growth benefit the vast majority of citizens. Over the past two years, global growth has remained flat at around 3%, well below the average growth rate of nearly 4% over the previous 10 years. The slowdown in the People's Republic of China and other emerging-market economies accounts for much of the difference, but growth rates of 2% or less have been the norm on average across OECD countries during post-crisis years, with the prospect of persistently weak demand and investment dragging down potential growth.

In their quest for healthier growth, governments face major policy challenges. The sharp and widespread decline in productivity growth since the crisis has meant stagnating incomes for a large share of the population, eroding popular support for structural reform. Even though overall unemployment has been gradually receding in a majority of countries, youth and low-skilled workers in several of them face poor job prospects and high risk of frequent joblessness. Overcoming these challenges requires coherent structural reform strategies and collective action across a broad range of policy areas, with the support of macroeconomic policies.

Going for Growth builds on OECD expertise on structural policy reforms and economic performance to provide policy makers with a set of concrete recommendations on reform areas identified as priorities for strong and inclusive growth. The priorities broadly cover product and labour market regulation, education and training, tax and transfer systems, trade and investment rules, as well as innovation policies. 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 report reviews progress in structural reforms in areas related to *Going for Growth* policy recommendations over the period 2015-16. Against this backdrop, it identifies for OECD and selected non-OECD countries new priority areas where structural reforms are needed to lift real income and to ensure that the gains benefit the vast majority of citizens (Chapter 1). To do so, the framework for selecting policy priorities considers for the first time inclusiveness as a prime objective, alongside productivity and employment, the prime drivers of average income growth. For this purpose, a broad definition of inclusiveness is taken, encompassing dimensions such as inequality and poverty, job quantity and job quality, along with labour market inclusion of vulnerable groups, gender gaps and equity in education, and health outcomes. The report provides a comprehensive assessment of policy challenges related to inclusiveness and potential remedies reflected in the *Going for Growth* reform priorities (Chapter 2). Country-specific priorities and underlying recommendations are laid out in individual country notes (Chapter 3).

Progress on structural reform since 2015

- The pace of structural reforms has continued to slow over the past two years, and is now back to the pre-crisis level. This overall deceleration masks significant differences across countries.
  - Reform has slowed in countries which had been particularly active reformers in the previous two-year period, (e.g. Mexico, Greece, Ireland, Portugal, Poland and Spain), but also in a number of others where reform activity had not been so intense in the earlier period (e.g. Australia, Indonesia and Slovenia).
  - Reform intensity has increased noticeably in some countries which had not been among the most active reformers in the earlier period (e.g. Belgium, Chile, Colombia, Israel, Italy and Sweden) as well as in Austria, Brazil and France.
- The pace of reform has slowed more markedly in policy areas with a particularly strong influence on labour productivity, such as education and innovation. This is a concern in light of the persistent and widespread decline in productivity growth.
- On the positive side, the number of reforms related to *Going for Growth* recommendations has risen with respect to objectives such as reducing barriers to women working and fostering job creation through lower labour tax wedges, in particular for low-wage workers. These are areas where pro-growth reforms also promote greater inclusiveness.
- Governments have generally tended to concentrate reform efforts in specific policy areas, with the risk of missing potential gains from policy synergies and reform complementarities. Improved packaging of reforms would make them easier to implement, maximise their impact on growth and job creation, and help reduce income inequality.

New reform priorities for inclusive growth

- Given the importance of productivity gains for long-term living standards and the magnitude of the challenge for a majority of countries, more reform priorities are identified to boost output per worker and to ensure that the gains are widely shared across the population. Measures in the areas of education, product market competition and public investment are emphasised more strongly relative to the previous *Going for Growth*.
- In particular, facilitating the entry and growth of innovative firms, promoting more equal access to high-quality education as well as the inclusion of women and migrants in the labour market, boosting investment in infrastructure and improving the training of workers and activation policies, are all part of the most common policy challenges identified to achieve stronger and more inclusive growth.
- There can be strong synergies between the pursuit of productivity and employment growth on the one hand, and inclusiveness on the other. In fact, if properly and comprehensively implemented, nearly half of the policy priorities put forward in this report would lead to higher and more widely shared income gains.
- In seeking to make growth more inclusive, governments should focus on ensuring broad access to quality education and upskilling, on lifting the quantity and the quality of jobs, and on enhancing the effectiveness of tax and transfer systems in reducing income inequality and poverty.
  - In the case of education, priorities include addressing the needs of young people from pre-school to university so that they get the best start and the support they require

throughout their education. The focus is on enhancing equality of opportunities and securing adaptability of the workforce to changing demand for skills.

- Creating more and better jobs requires tackling labour market duality and segmentation, including informality in the case of emerging economies.
- Many countries have scope for designing social transfers to protect individuals and families who need it most while ensuring that work pays for those at the low-end of the income distribution, as well as limiting tax breaks and allowances that disproportionately benefit high-income households.

Chapter 1

Overview of structural reform progress and identifying priorities in 2017

This chapter assesses the progress in structural reforms that countries have achieved in areas related to Going for Growth *policy recommendations over the period 2015-16. Against this background, it identifies OECD and selected non-OECD countries' new priority areas where structural reforms are needed to lift growth and make it more inclusive.*

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.

Main findings

- The pace of structural reforms has continued to slow over the past two years, and is now back to the pre-crisis level. This overall deceleration masks significant differences across countries:
  - In more than one-half of countries reform activity has slowed, while it has accelerated in one-third of the countries.
  - The slowdown has also extended to non-OECD countries, reversing the sustained reform pace that they had been displaying in previous years.
- The pace of reforms has slowed more markedly in policy areas with a particularly strong influence on labour productivity, such as education and innovation. This is a concern in light of the persistent and widespread decline in productivity growth.
- On the positive side, the number of reforms related to *Going for Growth* recommendations has risen with respect to objectives such as reducing barriers to the labour force, participation of women and fostering job creation through lower labour tax wedges, in particular for low-wage workers. In both areas, there remains scope for further actions.
- Governments have generally tended to concentrate reforms efforts in specific policy areas, indicating that potential gains from policy synergies and reform complementarities are being missed. But a better packaging of reforms would ease implementation, maximise their growth and job-creation impact and also improve distributional outcomes at the same time.
- New policy priorities and strategies to achieve the objectives of strong and, for the first time in this publication, inclusive growth, are presented in this Chapter. Given the importance of productivity for long-term living standards, more priorities to improve performance in this area and to ensure that the gains are widely shared across the population are identified. Measures in the domains of education, product market competition and public infrastructure are particularly emphasised.
- There can be strong synergies between the pursuit of productivity and employment growth on the one hand, and inclusiveness on the other. In fact, if properly and comprehensively implemented, nearly half of the policy priorities put forward in this Chapter would lead to higher and more widely shared income gains.
- Facilitating the entry and growth of innovative firms, promoting a more equal access to high-quality education, as well as the inclusion of women and migrants in the labour market, boosting investment in infrastructure and improving the training of workers and activation policies, are all part of the most common policy challenges identified in this publication to achieve stronger and more inclusive growth.

Introduction

For many countries, advanced and emerging-market economies alike, the risk of being caught in a low-growth trap with rising inequality has become all too real. Avoiding or

escaping such outcome requires comprehensive and coherent actions from both macro and structural policies. The prime objective of *Going for Growth* is to help policy makers identify coherent structural reform strategies across a broad range of policy areas in order to achieve strong and – for the first time in this publication – inclusive growth.

For the last 12 years, using a systematic monitoring of policies with a proven link to performance, the *Going for Growth* framework has identified five policy priority areas to achieve stronger economic growth for each OECD country, as well as for selected non-member countries. The priorities are identified on the basis of the potential impact of specific policy changes on long-term material living standards, through improved productivity and employment performance. Such potential impact from specific reforms is assessed through the joint comparison of performance and policies across countries, based on a broad set of quantitative indicators and the qualitative judgment of OECD country experts. The result of this process is a set of recommendations spanning a wide range of areas and which contributes to policy discussions, both within and between member countries, and in particular in the context of the G20 regular work programme.

Economic growth is fundamental to enhance well-being, but it cannot alone capture the multi-dimensional nature of well-being. This point has been underscored in recent years by rising inequality in many countries, raising concerns that many people are being excluded from the fruits of economic growth. Policy makers therefore increasingly need to meet the challenges of ensuring that prosperity is widely shared, that everyone has good access to opportunities for a better life (through, for example, education, health care and freedom from discrimination), and that our economies are environmentally and socially sustainable. Accordingly, the OECD has been shifting its policy focus towards much broader measures of economic performance, as described in the *OECD Initiative on Inclusive Growth* (OECD, 2014a). While *Going for Growth* has dealt with some of these issues in the past (OECD, 2006, 2012a and 2013), the 2017 exercise introduces a new framework that integrates inclusiveness in the selection of policy priorities and recommendations.[1] The result from this new framework is, for each country, a set of five policy priorities to promote inclusive growth (Chapter 3). While the main challenges vary across OECD and emerging economies according to country-specific circumstances, the 10 most common priorities are highlighted in the final section of this Chapter.

Progress on reform priorities since 2015

Measuring progress on priorities

As an indicative assessment of reform intensity across time and countries, a "responsiveness rate" is constructed for each individual priority area and for each country. The indicator measures the share of total policy recommendations formulated in the last issue of *Going for Growth* on which governments in each country have taken some action. It considers only legislated changes as opposed to announced changes (Box 1.1).

Overview of progress on reform priorities

The pace of reform has continued to slow in OECD countries (Figure 1.1). Signs of reform slowdown were already identified in recent issues of *Going for Growth* (OECD, 2015a and OECD, 2016a), and this publication confirms such deceleration, with a pace of reform now back to the pre-crisis level. Moreover, the slowdown has now extended to non-member countries, reversing the earlier trend of an increasing reform pace (OECD, 2015a).

Box 1.1. **A qualitative indicator of reform action**

The reform responsiveness rate indicator is based on a scoring system in which recommendations set in the previous issue of *Going for Growth* take a value of one if "significant" action is taken and zero if not. An action is considered as "significant" if the associated reform addresses the underlying policy recommendation and if it is actually legislated; reforms that have not gone beyond the stage of announcement are not taken into account.

Given that a single priority may entail more than one specific recommendation, the scoring is often based on more than one reform opportunity per priority area. For example, product market priorities can cover both economy-wide barriers (e.g. excessive or non-transparent administrative burdens) as well as industry-specific barriers (e.g. weak competition in retail trade); in turn, such priorities can cover different industries (e.g. retail trade and electricity). Changes may occur in one area only or in several areas. This is reflected in the scoring system rate by assessing reform responsiveness at the detailed level of policy areas for each recommendations (corresponding to reform opportunities) within each priority.

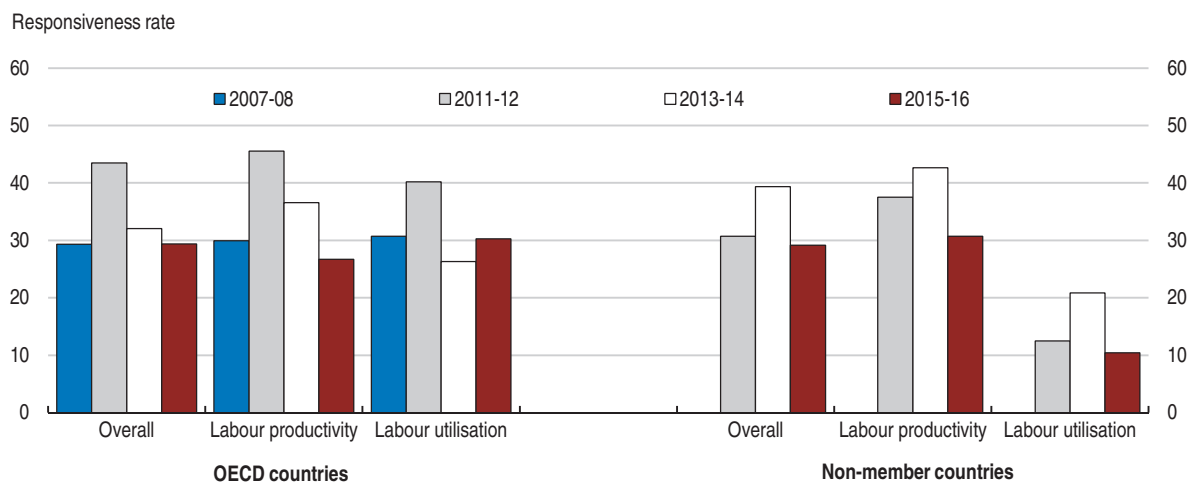
As a measure of the extent to which countries have followed up on *Going for Growth* recommendations, the indicator does not aim to assess overall reform intensity per se, which would imply accounting for reforms carried out in areas not identified as priorities and quantifying the importance of each individual measure, nor does it aim to assess effective reform implementation. But despite these limitations, its direct comparability across countries and its timeliness make this indicator a valuable tool to assess progress made in structural reforms across countries.

The following section focuses on actions taken on recommendations formulated in early 2015; hence it covers actions taken over two years (2015 and 2016). It also offers a partial comparison with the previous 2-year period i.e. reform responsiveness over the period 2013-14. Reform responsiveness cannot be assessed for Argentina, Costa Rica and Lithuania, because priorities are being identified in 2017 for the first time for those countries.

For more details see Box 2.2 and Annex 1.A1 in OECD (2010).

Figure 1.1. **The pace of reforms has further declined driven by a slowdown in productivity-enhancing reforms**

Responsiveness to *Going for Growth* recommendations across the OECD and non-member countries[1]



1. Non-OECD countries refer to BRIICS countries and Colombia. Exclude the Russian Federation in 2015-16.

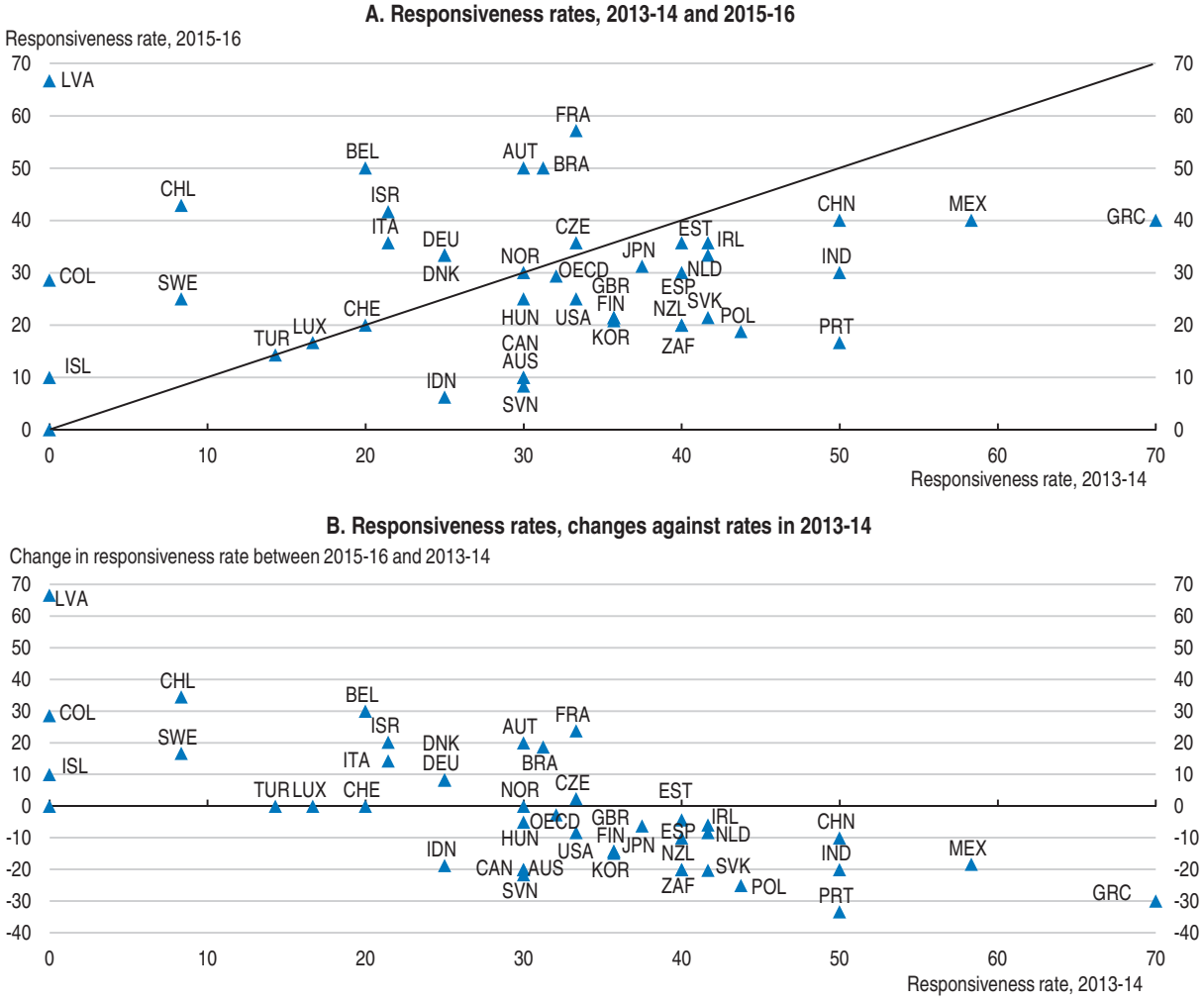
StatLink http://dx.doi.org/10.1787/888933454599

This general slowdown is driven by a marked decrease in the number of actions taken to boost labour productivity among OECD countries. In comparison, the pace of actions taken to raise labour utilisation increased slightly. In non-member countries, reforms in both areas have decelerated significantly.

The pace of reform has not slowed in all countries (Figure 1.2, Panel A). It did so in more than one-half of countries, whereas it either stayed unchanged or accelerated (in about equal numbers) in the remaining countries. In some cases, it even accelerated significantly (e.g. Austria, Belgium and France). Generally, the slowdown is more pronounced in countries that exhibited the highest levels of reform responsiveness in 2013-14 (Figure 1.2, Panel B), leading to some convergence across countries, as described in OECD (2015a).

Figure 1.2. **The pace of reform has slowed in more than half of the countries but has accelerated in some**

Responsiveness to *Going for Growth* recommendations[1]



1. For Colombia and Latvia there is no responsiveness rate computed for 2013 and 2014.

StatLink http://dx.doi.org/10.1787/888933454607

The precise reasons for such a slowdown are not easy to pin down, but a number of explanations can be put forward. First, in the countries that went through a very intense phase of reforms in previous years, in particular between 2011 and 2013, the slowdown can

be attributed to the need for governments to concentrate on the effective implementation and monitoring of those earlier major reforms. Some of the reforms have entailed complex and challenging institutional and legislative changes, requiring secondary legislation, the transmission of laws from central to local governments, while facing court challenges and insufficient or ineffective administrative capacity. For example:

- Italy initiated the implementation of an ambitious reform agenda, whose implementation requires boosting significantly the efficiency of its public administration and improving the judicial system (OECD, 2015b).
- In Spain, the implementation of the Market Unity Law is challenging, both technically, due to the complexity of dealing with a large body of regulation, and politically, due to the resistance by some regions (OECD, 2014b).
- Some planned reforms, such as Sunday shop opening in Greece or the liberalisation of professional services in Spain, either have not been fully implemented or have been significantly delayed, with unclear prospects regarding their eventual implementation.

Another potential factor is the lack of perceived benefits from earlier reforms, potentially because reforms have been undertaken in piecemeal fashion instead of comprehensively. The benefits from many types of reforms may take far longer to materialise in a context of persistently weak demand and uncertain growth prospects (OECD, 2016a). Widespread uncertainties regarding the global short- and medium-term outlook, as well as cash-flow constraints facing many SMEs and a difficult access to credit for would-be entrepreneurs, can offset the positive impact that reforms would otherwise have on investment and consumption. In turn, the gap between the perceived intensity of reform efforts and the lack of perceived benefits undermines the trust of citizens in governments' reform agendas and capacity to implement them, raising political resistance to continued efforts.

- Trust in governments has indeed deteriorated strongly in many OECD countries (OECD, 2015c). On average only 40% of OECD citizens trust their governments, with this level being even only 20% in some countries. In addition to the perceived lack of benefits from reforms, trust levels can be affected by various factors, such as the economic outlook, the social situation or inadequate behaviour by government representatives and misuses of public resources.
- Yet, higher trust in governments can facilitate reform implementation, not least by lowering transaction costs in economic relationships (Fukuyama, 1995). In a low-trust climate, citizens tend to prioritise immediate, appropriable and partial benefits, which may induce politicians to seek short-term and opportunistic gains through free-riding and populist attitudes (Gyorffy, 2013). Winning trust back is thus essential and, for that, increasing the efficiency of public administration and fostering the rule of law are fundamental, as reflected in the *Going for Growth* recommendations in those areas, which have become more common.

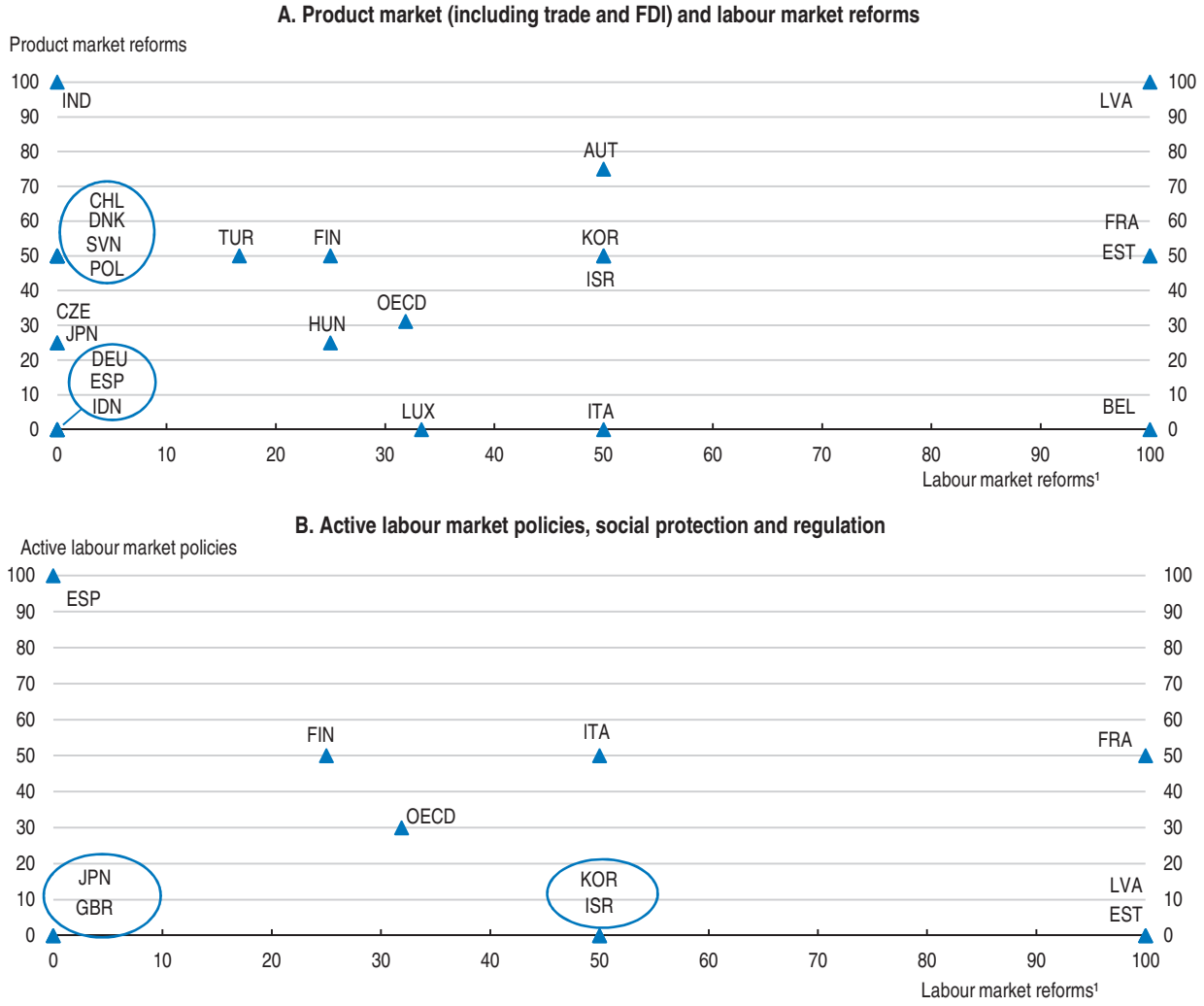
In such a context, the stance of macroeconomic policies can play a crucial role in facilitating or slowing structural reforms' implementation. While the fiscal stance has recently become slightly more supportive, there is still room for further support in several OECD countries. In particular, there is a pressing need in many countries to expand public investment, reflecting the extent to which infrastructure spending, including necessary maintenance, was deferred as part of past consolidation efforts (OECD, 2016c). As a result there are more *Going for Growth* recommendations in the area of infrastructure than in the past. Monetary policy remains highly accommodative but its effectiveness is still moderated

by fragilities in the financial system, in particular in Europe, where a high incidence of non-performing loans impedes the capacity of banks to focus on new lending. In this regard, this issue of *Going for Growth* includes recommendations for some countries to move forward in the clean-up of banks to improve the credit flow.

In an environment of weak demand and lingering uncertainties regarding the near-term outlook, pursuing simultaneous and coherent reforms of product, labour and financial markets is particularly important to maximise the short-term gains. A poor or insufficient packaging of reforms can result in large up-front costs to aggregate demand and employment, which make implementation more difficult and less effective. An example is Greece, where much of the adjustment was borne by workers, while monopoly power and barriers to entry have remained in place in many sectors (OECD, 2016b). Moreover, recent evidence suggests that simultaneous reforms of labour and product markets are more growth enhancing than isolated reforms (OECD, 2016a).

Figure 1.3. **Synergies between product and labour markets reforms have not been fully exploited**

Responsiveness to *Going for Growth* recommendations, 2015-16



1. Average responsiveness on labour tax wedges, job protection legislation and retirement.

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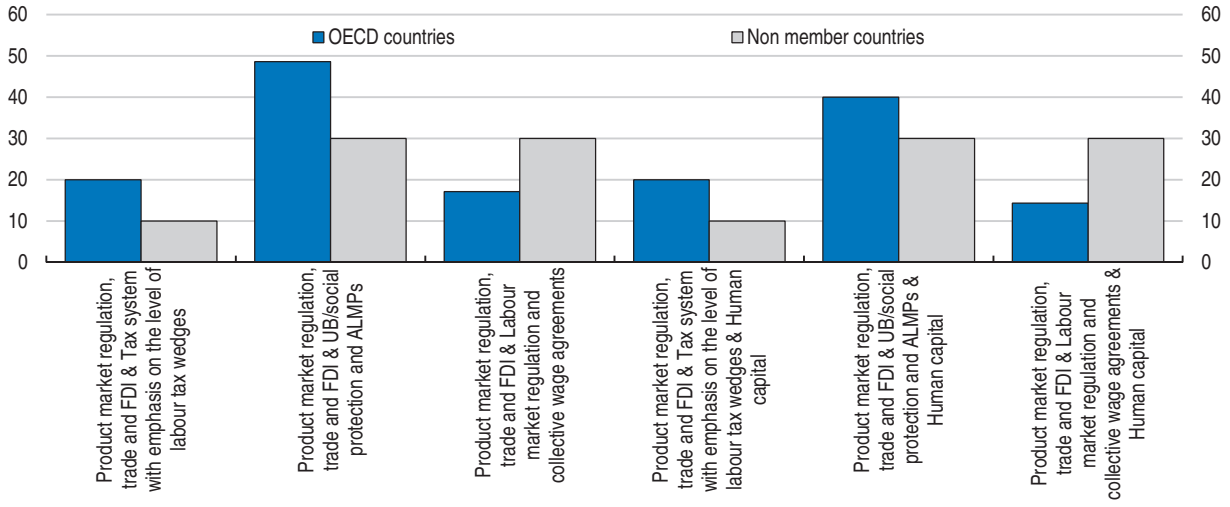
Going for Growth recommendations are generally formulated as part of an articulated and coherent policy package so as to maximise the benefits through synergies across multiple reform areas. Over the last two years, however, such reform packages have not been the norm. For example, reforms have been undertaken *either* in the labour market *or* product markets, but very rarely in both areas (Figure 1.3, Panel A). Among labour market policies, it is often advised to reform job protection and unemployment benefits in tandem with activation policies, such as job-search counselling, training and re-employment services (which together form the so-called active labour market policies – ALMPs). When properly designed, labour market reform packages can significantly attenuate, if not eliminate, negative inclusiveness outcomes that may arise when specific measures are introduced alone (see Chapter 3 in OECD, 2016e). However, the complementarities between such reforms have not been fully exploited either (Figure 1.3, Panel B). Overall, better co-ordination of reforms across different areas would ease implementation, maximise their impact in terms of growth, job-creation and equity at the same time. Hence, this issue of *Going for Growth* continues to emphasise the need for a consistent and comprehensive packaging of reforms to ensure both stronger and inclusive growth (Figure 1.4).

Figure 1.4. **The scope for reform packages with strong synergies is large in many countries**

Percentage of total number of countries, 2017



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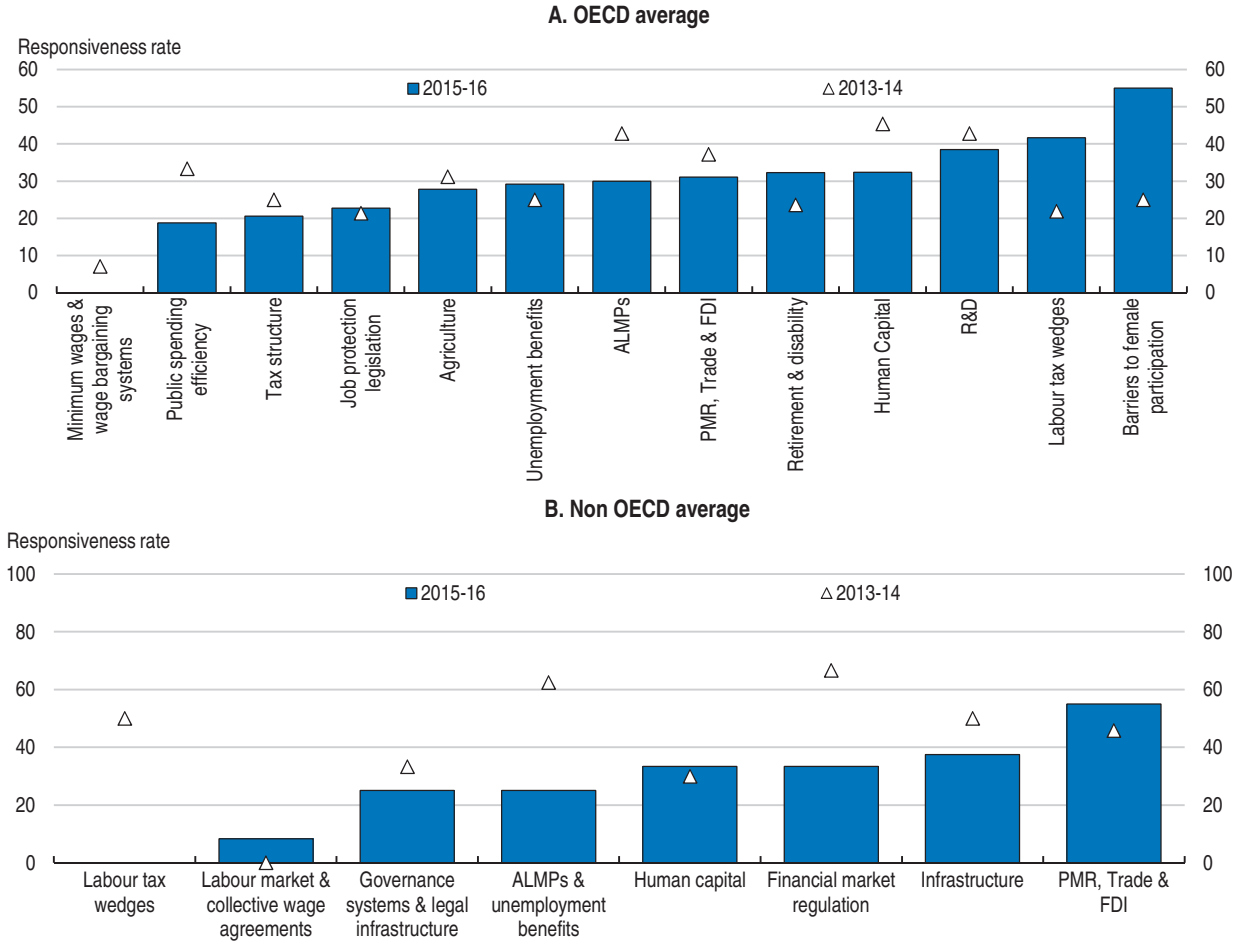
Reform progress across policy areas

While the pace of reform has slowed, significant differences across reform areas are observed among OECD countries (Figure 1.5, Panel A). Reform responsiveness has even increased significantly in two areas: reduction of barriers to full-time labour market participation of women and reduction of the labour tax wedge, especially for low-income earners. The significant progress in facilitating the labour force participation of women is welcome, given its significant positive impact on both economic growth (OECD, 2012) and income distribution (OECD, 2016d), thus contributing to make growth more inclusive (see also Chapter 2). Examples of countries being active in this area include Germany, the United Kingdom, Japan and the Slovak Republic, where governments boosted early childhood education and care. In Korea, incentives for fathers' take-up of parental leave have been increased.

Figure 1.5. **Less reform intensity in many areas but a notable effort to make the labour market more inclusive**

Responsiveness to *Going for Growth* recommendations across policy areas[1]



1. Non-OECD countries refer to BRIICS countries plus Colombia and excluding the Russian Federation for 2015-16.

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Notwithstanding this progress, eliminating barriers to the labour force participation of women remains a priority in this publication for all countries (except Ireland) where this was already the case in the previous *Going for Growth*. Further efforts in this area are thus warranted. The same applies to a large extent to labour taxation, for which action has been focused on reducing the labour tax wedge for low-wage workers. In many cases, this has been achieved via targeted reductions in social security contributions (e.g. Austria and Belgium), thus boosting employment among segments such as low-skilled workers or youth. Again, these welcomed steps towards a more efficient and inclusive labour market remain too limited or temporary (e.g. some recent cuts in social security contributions) to fully address the challenge. Hence, reducing the labour tax wedge remains prevalent in the reform agenda of OECD countries, including among those where some improvements have been made.

On the other hand, the pace of reform has declined significantly in the areas of human capital and active labour market policies. For human capital, the deceleration took place after several years of relatively high reform intensity. Implementation lags in the education

area are long, and this can partly explain the slowdown in responsiveness since several countries are still in the process of implementing previously legislated education reforms (e.g. Spain). Still, efforts to improve policies have continued in some countries; in Germany, a mentoring programme to facilitate school-to-work transition and to reduce drop-out from school has been set-up; in Italy the government has introduced the "Good School" reform and has also reformed the vocational system; in the United States, standards across states have been established for primary and secondary education.

Concerning ALMPs, the responsiveness slowdown comes after intense reform activity in the aftermath of the crisis in response to the sharp increase in unemployment. With labour market conditions gradually improving, efforts to improve activation policies have lessened. Nevertheless, with many individuals still struggling to access jobs, notably among the low-skilled and youth, the slowdown is raising concerns, especially from the youth perspective considering the simultaneous deceleration in education reforms. Further efforts in this area are thus warranted, and indeed a number of countries have implemented reforms recently. For example, France stepped up individualised support and wage subsidies for young and low-qualified workers and also doubled training offers to the unemployed, while Ireland increased the support provided to the long-term unemployed with the involvement of private providers of activation services. However, for reforms in this area to be effective, measures must be taken to remove barriers to job creation, including policies to support aggregate demand.

Reform action also decelerated somewhat in the area of product markets, although it remains a high priority area in reform agendas. Denmark eased access to regulated professions and strengthened the competition authority, while Israel has started to submit to regulatory impact assessments all new laws likely to affect competition. Responsiveness has also fallen in innovation, after strong reform intensity in 2013-14, possibly reflecting the focus on completing the reforms introduced in earlier periods.

Reform activity was also relatively low in minimum wage and wage bargaining systems, areas where few countries have recommendations and where policy changes tend to occur sparsely. Major reforms to bargaining systems were already introduced in 2011-12 (e.g. Spain, Portugal and Greece) and governments should continue to monitor implementation of those reforms. In some cases, policy action has not taken the direction recommended in *Going for Growth* (e.g. the 30% rise in the minimum wage in Turkey). Little progress has been achieved also in reducing agriculture and energy subsidies, reflecting particularly strong and broadly-based resistance to reform in those areas.

In other areas, reform action either has kept a similar pace as in 2013-14 or increased slightly:

- For unemployment benefits and social policies, implemented reforms are very heterogeneous reflecting country-specific challenges. Thus, Korea expanded the coverage of social policies to non-regular workers, Italy introduced a universal unemployment insurance system, and Finland tightened work search requirements.
- Several countries have been active in reforming retirement and disability benefits. Belgium increased the minimum statutory retirement age and tightened early retirement schemes. Finland increased the retirement age to 65 by 2025 and linked it to life expectancy thereafter and also narrowed progressively early retirement paths. Austria increased incentives for those eligible for early pension to continue working, and Luxembourg improved medical checks to access early retirement through disability.

- Regarding reforms to enhance efficiency of the tax system, some countries have already raised consumption taxes in the past several years, limiting the scope for further increases, not least due to their potential detrimental short-term effects on more vulnerable households. Still, many OECD countries show ample room for enhancing the efficiency of their systems through greater use of other sources of indirect taxation such as property, environmental or inheritance taxes. Such shifts in the composition of the tax system can also have a positive impact on income distribution, if for instance increases in indirect taxes are implemented in tandem with cuts in labour taxes targeted at low-income earners. That is also the case of tax base broadening, i.e. closing tax loopholes that distort resource allocation and from which higher-income households tend to benefit most, such as mortgage interest rate deductibility (see Chapter 2).

Across non-OECD countries, the pace of reform has also been heterogeneous across areas (Figure 1.5, Panel B):

- Reforms of financial market regulations have markedly slowed down despite the need for basic liberalisation to sustain high growth. Nonetheless, measures to improve financial market efficiency have been adopted in the People's Republic of China, Brazil and India; China has formally liberalised interest rates, while in Brazil the financial support from the national development bank is being scaled back, which should facilitate the development of private long-term credit markets. India has made efforts to accelerate the resolution of non-performing loans and to increase financial inclusion.
- Reform efforts have also decelerated in the area of physical infrastructure, despite their low provisions in these countries. Some progress has been achieved in Brazil and Indonesia, where a new land acquisition regime is being implemented, as well as in Colombia, where roads concessions have finally started.
- Acceleration has been observed in the pace of product market reforms, not least due to steps taken by China to boost competition by curtailing price controls both at central and subnational levels, simplifying administrative procedures to set up firms and revamping the licensing system. India also took steps to lower the administrative burden on start-ups, both at the central government and state levels, to improve bankruptcy procedures and ease restrictions on foreign direct investment in many sectors.
- Little progress has been achieved to strengthen the legal infrastructure (rule of law, efficiency of the judicial system, protection of intellectual property rights) and basic institutions (public administration), despite being an important bottleneck for growth.

Recommendations to enhance labour utilisation are less frequent for non-OECD countries, and progress there has also decelerated. Indonesia introduced a cap on minimum wages, which will help to avoid further increases in informality but little progress has been observed in other countries with priorities in this area. Yet, the need for reforms to improve labour market conditions across non-OECD countries is widespread. Some of these countries enjoyed an economic expansion during the 2000s, driven by high commodity prices, which boosted the services sector, increased the demand for low-skilled labour and improved social outcomes. The end of the commodity cycle brought an acute need to boost labour market reforms so as to lock-in the earlier gains and achieve further progress. A common challenge across most non-OECD countries is the relatively high level of informality. Improving labour market regulations and fostering activation are much needed to address such challenges (see Chapter 2).

Performance challenges and reform priorities in 2017

For this publication, the selection of policy priorities is based on the newly extended *Going for Growth* framework, which goes beyond the drivers of growth by including measures of income inequality and other aspects of inclusiveness, so as to design growth strategies with an explicit eye toward the distribution of the gains to all citizens (see Box 1.2 and Chapter 2 for a more detailed presentation). The section first starts with a brief overview of performance challenges, focusing on gaps in productivity, labour utilisation and income inequality. It is followed by a snapshot of changes in policy priorities between 2015 and 2017, and a summary of the recommendations advocated in this publication, focusing on the ten most prevalent policy challenges that countries are facing. A more detailed discussion of the rationale for the selected policy priorities is provided in Chapter 3, which contains individual country notes laying out the concrete recommendations to address the challenges that each country faces.

Box 1.2. **Selection of policy priorities in the extended *Going for Growth* framework**

The extended *Going for Growth* framework identifies five policy priorities to boost long-term material living standards and to ensure that the gains are broadly shared across populations (see figure opposite). The purpose is to design equity-friendly growth strategies for every country covered, taking into account country-specific challenges and social preferences. Thus, the framework for selecting policy priorities now considers inclusiveness as a prime objective, alongside productivity and employment.

For both productivity and labour utilisation, measures of outcomes are juxtaposed with corresponding policy indicators, where empirical research has shown a robust link to performance, to determine where performance and policy weaknesses appear to be linked. For instance, based on empirical evidence, multifactor productivity growth (performance indicator) is matched with specific areas of product market regulation such as administrative burdens on startups or barriers to entry in professional services (policy indicators). In the case of labour utilisation, aggregate employment (performance indicator) is paired for example with the level of the labour tax wedge (policy indicator), while the employment rate of women (performance indicator) is matched with childcare-related costs embedded in tax and benefits systems (policy indicator).

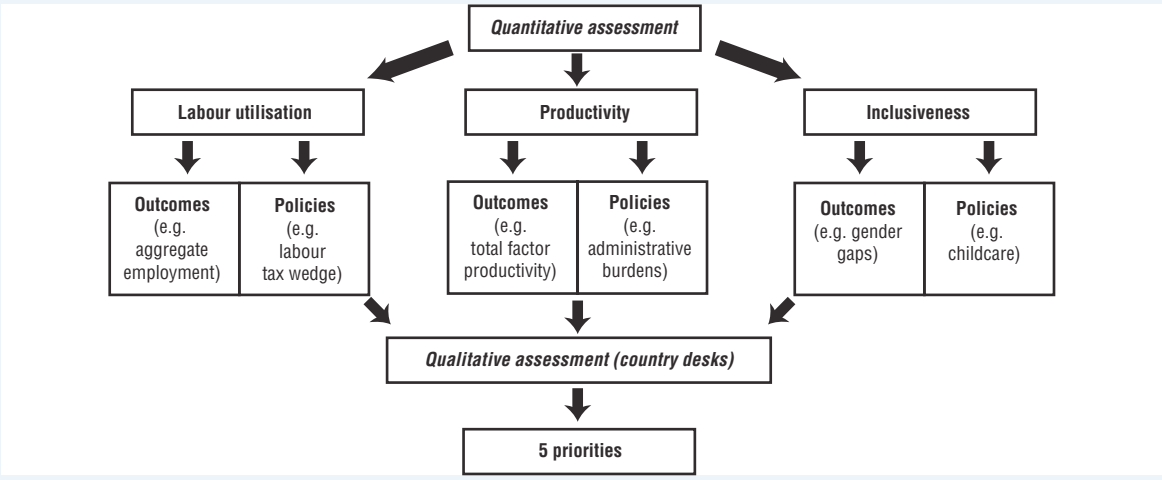
The same principle applies to inclusiveness, which is formally integrated as a policy objective for the first time in this exercise. The integration of inclusiveness is based on a dashboard of inclusiveness indicators encompassing a number of income and non-income dimensions such as inequality and poverty, job quantity and job quality, along with labour market inclusion of vulnerable groups, gender gaps and equity in education. As for productivity and employment, a set of inclusiveness indicators is matched with corresponding policy indicators, for whom empirical research has shown a robust link, to determine where performance weaknesses are a potential reflection of policy weaknesses (see Chapter 2).

The identification of country-specific reform priorities, as well as the formulation of underlying recommendations, then continues to build on a "mixed" approach combining a quantitative assessment and a qualitative assessment of policy priorities. Based on the quantitative assessment, potential policy priorities are identified in areas where indicators show a country being well below the OECD average in both performance and related policy settings. The further away a country is from OECD average in a specific performance area, the more likely related policy settings will be selected among priorities if they are also found to be distant from good practice. These *quantitative* assessments of policies for potential top-priority status are then brought into the domain of *qualitative* analysis. The *qualitative* assessment of country-specific challenges is based on judgment and expertise provided by country specialists. In particular, the relative emphasis put on productivity, employment and inclusiveness in the mix of priorities of the growth and inclusiveness objectives is not based on a welfare function that should necessarily have to rely on an

Box 1.2. **Selection of policy priorities in the extended *Going for Growth* framework** *(cont.)*

arbitrary weighting of the different objectives. Instead, country expertise is used to assess their relative importance according to the evaluation made and the knowledge of country circumstances. The final outcome of the process delivers a set of five policy priorities to boost growth and make it more inclusive, tailored to country-specific challenges and context (see figure below).

The *Going for Growth* priority setting model



In order to ensure that priorities do reflect the most pressing challenges faced by countries, a new feature of *Going for Growth* is to allow for priorities to be dropped, even if insufficient progress has been achieved, in case new and more pressing priority areas have come up. Thus, based on country-specific expertise, new priorities have been introduced for some countries to reflect new challenges. The cases where previous priorities have been dropped while still remaining an area where further policy action is needed, are highlighted in the introductory section of the country notes. This is to remind readers that these remain areas of much needed policy actions, even if they are no longer among the top five.

Cross-country differences in living standards

Labour productivity

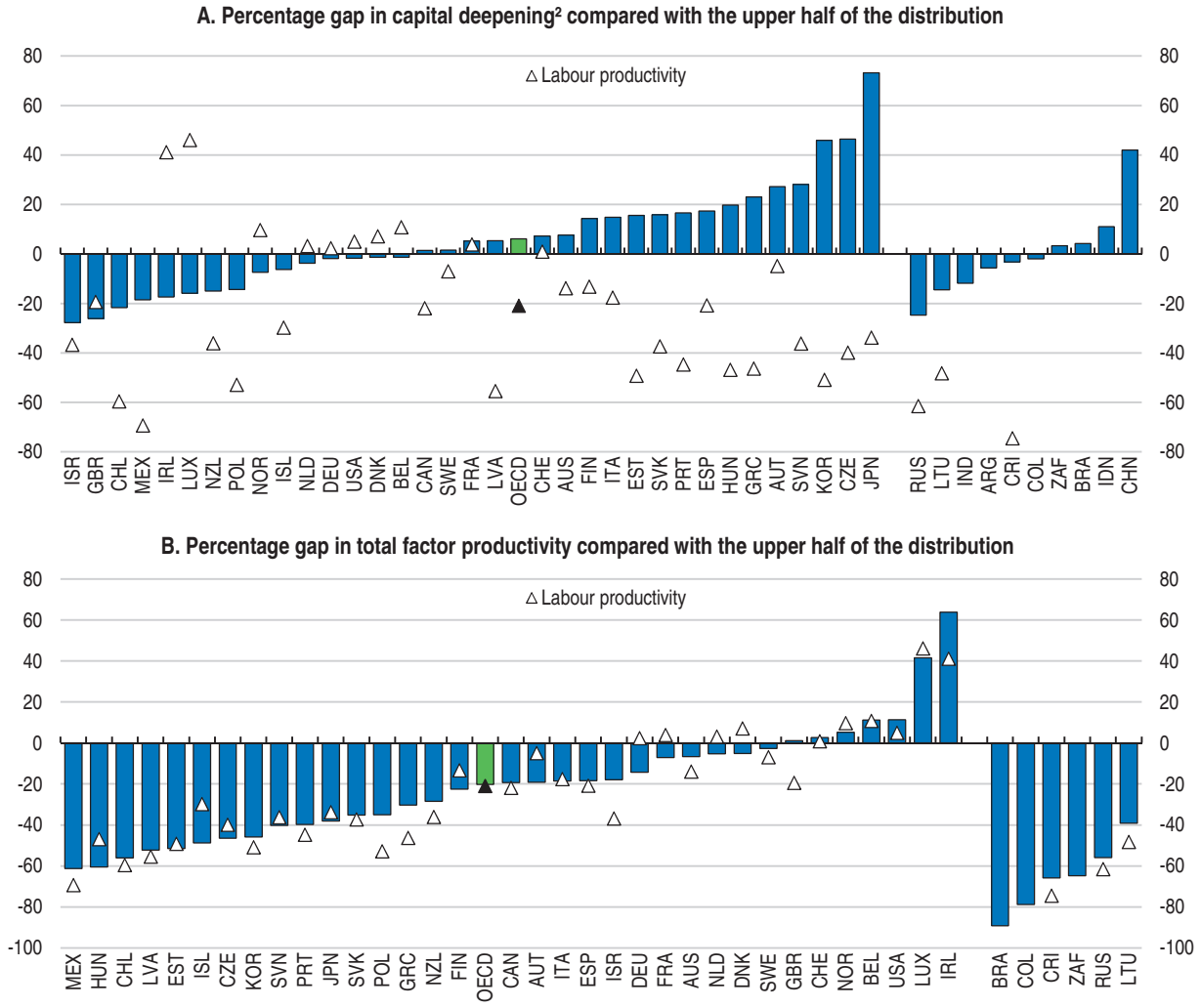
Productivity gains, which are the central driver of long-term and sustainable improvements in living standards, have persistently slowed in many advanced economies since the early 2000s, as well as in emerging economies more recently. This phenomenon has strengthened since the crisis, with labour productivity growth falling to very low rates in the large majority of OECD countries. A pessimistic view on this trend is that it carries a high risk of becoming permanent, with the characteristics of a "secular stagnation" (Summers, 2015). More optimistic views hold that the crisis has provided opportunities to boost long-term productivity through reallocation effects, i.e. by shifting resources away from inefficient sectors towards more productive ones. Such transitions are by nature protracted, but structural reforms such as those advocated in *Going for Growth* can help accelerate this reallocation.

Overall, cross-country differences in labour productivity can be decomposed into contributions from investment – or capital deepening – and total factor productivity (TFP).

Doing so shows that in most cases the magnitude of the gaps in levels is mostly accounted for by weak TFP (Figure 1.6). And while TFP growth has been positive during the recovery in a majority of countries, it remains sluggish and uneven. Despite some hurdles associated with its measurement,[2] TFP tends to reflect a more efficient use of inputs via improvements in the management of the production processes, research and development as well as innovation and its diffusion. As a result, policies conducive to a productivity revival include those that foster innovation at the global frontier, and more importantly, those that facilitate the diffusion of available technologies and knowledge from frontier firms to lagging ones.

Figure 1.6. **Differences in labour productivity across countries are mostly driven by TFP dispersion**[1]

2015



1. The gap in capital deepening is compared to the weighted average using population weights of the 17 OECD countries with highest labour productivity in 2015; the gap in labour productivity is compared to the weighted average using population weights of the 17 OECD countries with highest GDP per capita in 2015; the gap in total factor productivity is compared to the weighted average using population weights of the 17 OECD countries with highest labour productivity in 2015.
2. Capital deepening refers to the ratio of productive capital stocks over GDP (volume).

Source: OECD, *Economic Outlook Database*.

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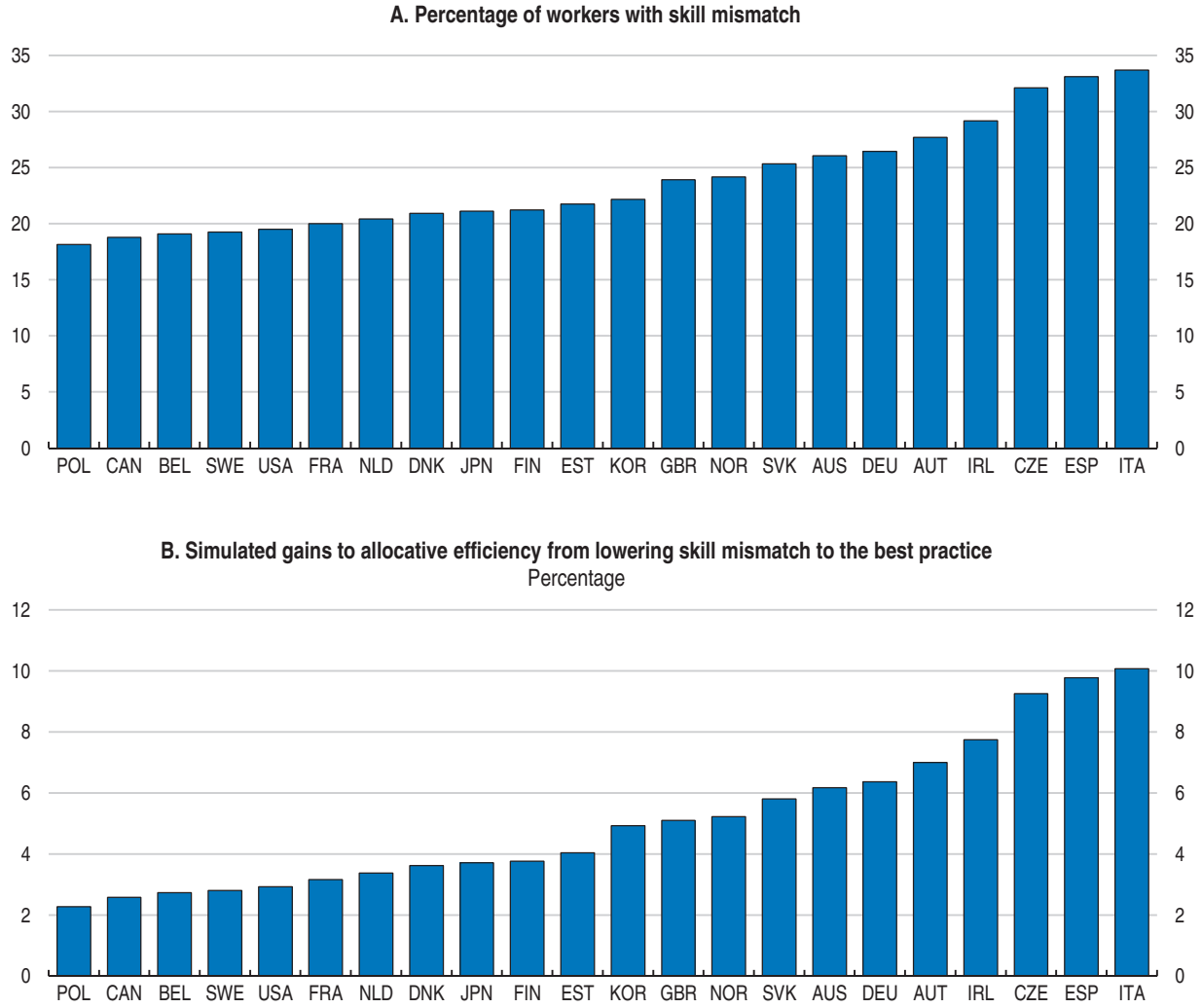
Some of the key factors shaping the effectiveness of diffusion include global connections (cross-border trade and investment), investment in knowledge-based capital, and the efficiency with which the resources are allocated across firms and industries. These factors are in turn influenced by a number of structural policy settings, the most important of which include pro-competition reforms, with a particular attention to firm entry and exit, but also policies promoting collaboration among firms and universities (so that basic research can more easily benefit non-frontier firms), policies that provide better access to early-stage venture capital as well as those facilitating the mobility of labour, and a good matching between skills and job tasks (Saia, Andrews et al., 2015).

Strengthening the link between skills in the labour force and job requirements is indeed one example of a policy intervention where large productivity gains could be generated, given that skill mismatches are high in many OECD countries (Figure 1.7). On average, approximately one-quarter of workers report a mismatch between their existing skills and those required for their jobs in OECD countries, with important cross-country differences in the prevalence of mismatch, suggesting structural inefficiencies in the allocation of skills. OECD research suggests that reducing the skill mismatch in countries such as Italy and Spain would be associated with an increase in productivity of around 10%, while potential gains of around 3% are estimated for France and the United States (Adalet Mc Gowan and Andrews, 2015). Reforms that reduce regulatory barriers to firm entry and facilitating the exit of inefficient firms (through stronger efficiency of bankruptcy procedures) can improve productivity performance and reduce skill mismatch. Additionally, reforms that ease labour market restrictions and promote worker mobility, e.g. reduction in property transaction costs and the lowering of stringent planning restrictions can entail a double dividend, which is to raise employment by reducing the number of job vacancies going unfilled and boost productivity by facilitating a better matching of workers' skills and jobs tasks.

The slow pick-up in productivity since the crisis has been partly caused by the weak and uneven recovery in capital deepening (Figure 1.6). Despite the fact that several leading OECD countries experienced a contraction in capital deepening since 2010, (e.g. Japan, Germany and the United States), cross-country differences remain large as investment in lagging countries has been too weak to even partially close the gap. Low investment rates can be partly explained by the protracted weakness in aggregate demand following the financial crisis, which has been exacerbated by private sector deleveraging and cutbacks in public investment under the pressures from fiscal consolidation (Ollivaud et al., 2016). The countries experiencing the most severe downturns have also suffered the most marked slowdown in capital stock growth. One major concern is that continued weakness in demand has led to deterioration in potential output via weaker growth in the capital stock.

Public investment can help to boost demand and the capital stock, but it has fallen as a share of GDP relative to pre-crisis levels in nearly half of OECD countries for which data are readily available (Figure 1.8). In these countries, the fall typically accounts for more than one-fifth of the decrease in the share of total investment in GDP (Ollivaud et al., 2016). Falling government investment may not only have contributed to a direct reduction in the growth rate of the productive capital stock, but may also have had adverse indirect spill over effects on business investment and productivity. The effect of public investment on private sector investment and activity can be positive and large for example, public capital installed by local/regional governments, roads, railways and utilities (Bom and Lighart, 2014). While countries where government investment was cut back most sharply were also

Figure 1.7. **Reducing skill mismatch could generate substantial productivity gains in some countries**[1]



1. Panel A shows the percentage of workers who are either over- or under- skilled, for a sample of 11 market industries: manufacturing; electricity, gas, steam and air conditioning supply; water supply; construction; wholesale and retail trade; transportation and storage; accommodation and food service activities; information and communication; real estate activities; professional, scientific and technical activities, and administrative and support service activities. In order to abstract from differences in industrial structures across countries, the 1-digit industry level mismatch indicators are aggregated using a common set of weights based on industry employment shares for the United States. Panel B shows the difference between the actual allocative efficiency and a counterfactual allocative efficiency based on lowering of skill mismatch in each country to the best practice level, which implies a productivity gain of around 10% in Italy and 3% in the United States. The estimated coefficient of impact of mismatch on productivity is based on a sample of 19 countries for which both firm level productivity and mismatch data are available. While mismatch indicators are available for Australia, Canada and Ireland in the Survey of Adult Skills, the estimates gains to allocative efficiency for these three countries should be interpreted with caution to the extent that they are not included in the econometric analysis due to insufficient productivity data.

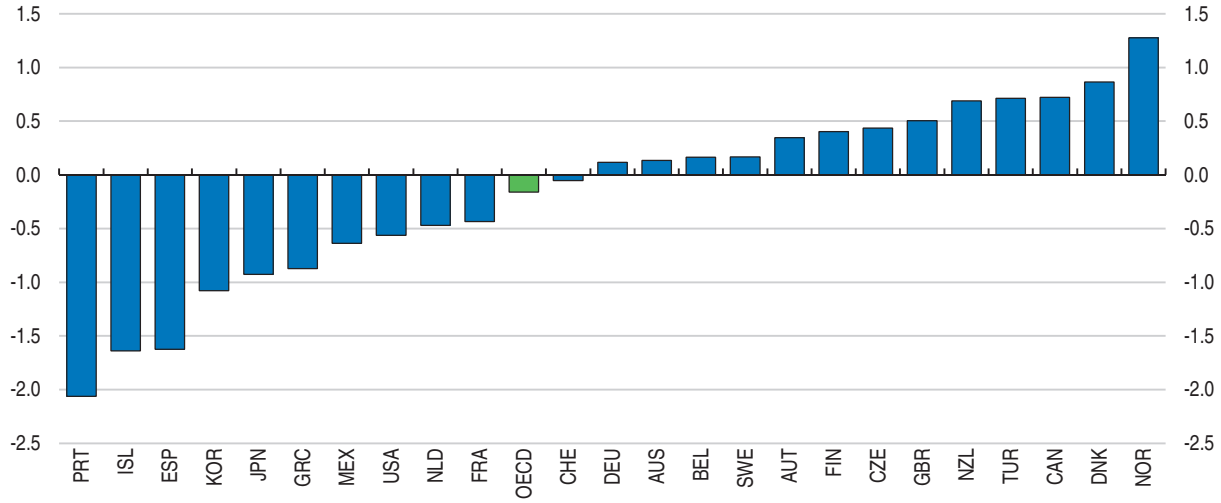
Source: Adalet McGowan, M. and D. Andrews (2015), "Skill Mismatch and Public Policy in OECD Countries", *OECD Economics Department Working Papers*, No. 1210.

StatLink http://dx.doi.org/10.1787/888933454659

under the most pressure to undertake fiscal consolidations measures, the current context, with nominal interest rates at their zero lower bound, demand being constrained, and the risk of permanent loss of potential output, is likely to render additional investment spending by the government to be self-financing (Delong and Summers, 2012). Furthermore, the productivity gains from public investment are likely to be substantially greater during a downturn than what they are thought to be in normal times (Dabla-Norris et al., 2015).

Figure 1.8. **Public investment is still below the level of the early 2000s in many countries**

Percentage points difference in public investment between 2015 and the average over 2000-07[1]



1. The last available year is 2014 for Korea.
Source: OECD, *Economic Outlook Database*.

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Consistent with this evidence, priorities in individual countries in this area have been identified by the *Going for Growth* framework as part of the efforts to improve productivity performance.

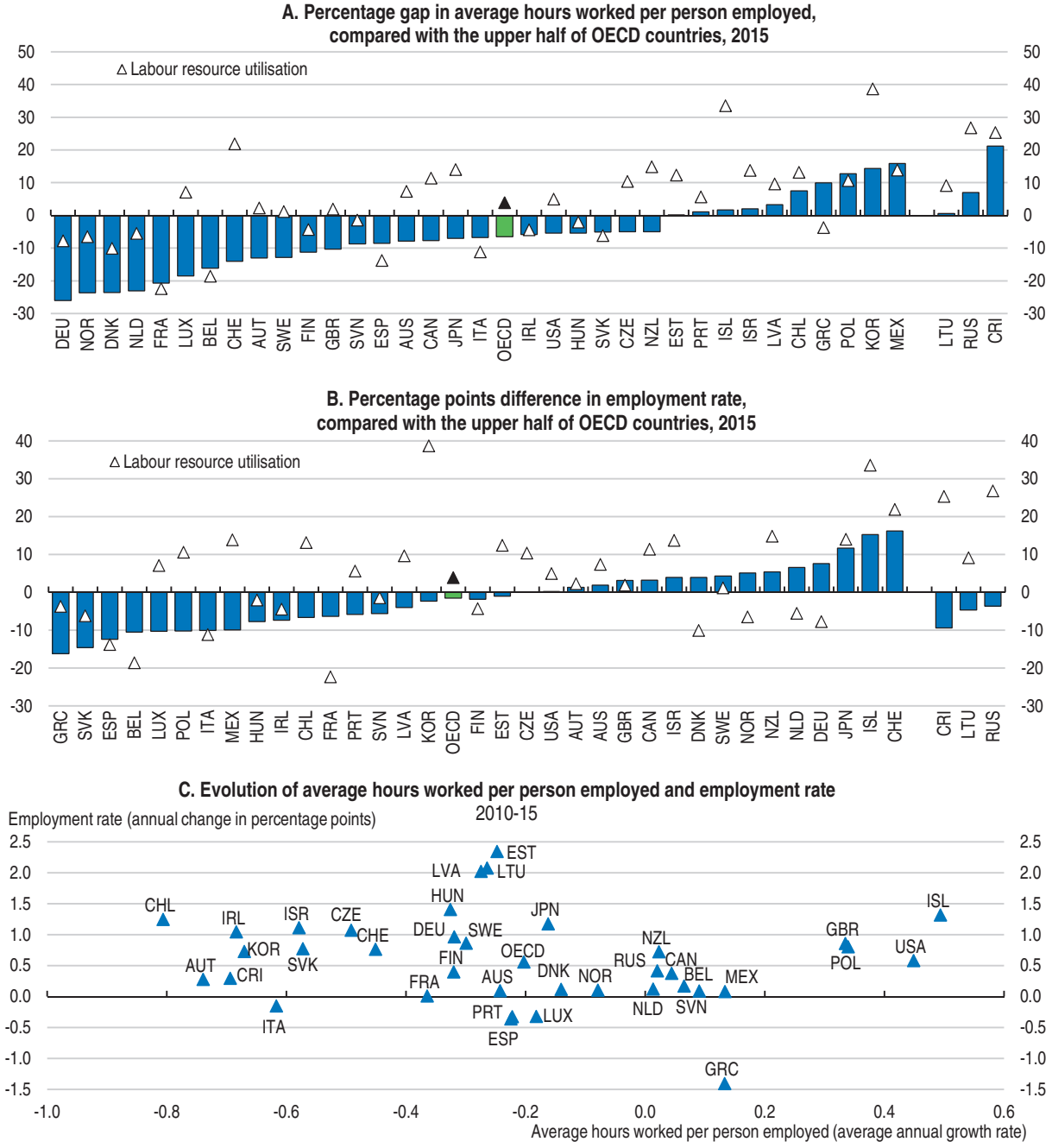
Labour utilisation

In several northern European countries (e.g. Belgium, Denmark, France, Germany and Spain), the gap in labour utilisation, i.e. the smaller number of hours worked per capita relative to the upper-half of OECD countries, is largely the result of low average hours worked per person employed. Employment rates are typically relatively high, although Belgium and France are characterised by both low employment and low hours worked (Figure 1.9, Panels A and B). Low hours worked often reflect policy impediments to full-time work, especially for lone parents and second earners. Removing these impediments, sometimes embedded in the tax and benefits systems (e.g. some features of joint income taxation or implicit marginal tax rates due to the withdrawal of benefits as hours worked increase), can also help to make the labour market more inclusive, notably by closing the gender wage gap.

By contrast, the gap in lower income countries, such as Greece and Turkey, is explained by low employment rates as average hours worked per employed person are relatively high. The weak employment rates of some countries are largely driven by low employment of specific groups, such as younger workers, women and those aged 55 and over. This can be partly attributed to policy impediments such as a strong duality between workers under contracts with strong protection and those under contracts with little protection, as well as little scope for on-the-job training.

Overall, progress in raising labour utilisation has been mixed in the aftermath of the crisis (Figure 1.9, Panel C). Aside from countries which have been hit the hardest by the crisis, employment rates have tended to rise over the past five years, reflecting the entry of second earners into the labour market to cushion households' income losses, and also because seniors have delayed retirement owing to a decrease in their pension savings, or to past reforms to both pension and early retirement systems. Unemployment rates have also

Figure 1.9. **The sources of differences in labour utilisation vary across groups of countries**[1]



1. The gap in average hours worked is compared to the weighted average using population weights of the 17 OECD countries with highest labour resource utilisation in 2015; the gap in labour resource utilisation is compared to the weighted average using population weights of the 17 OECD countries with highest GDP per capita in 2015; The percentage points difference in employment rate is compared to the weighted average using population weights of the 17 OECD countries with highest labour resource utilisation in 2015.

Source: OECD, *Productivity and Labour Force Statistics Database*.

StatLink http://dx.doi.org/10.1787/888933454677

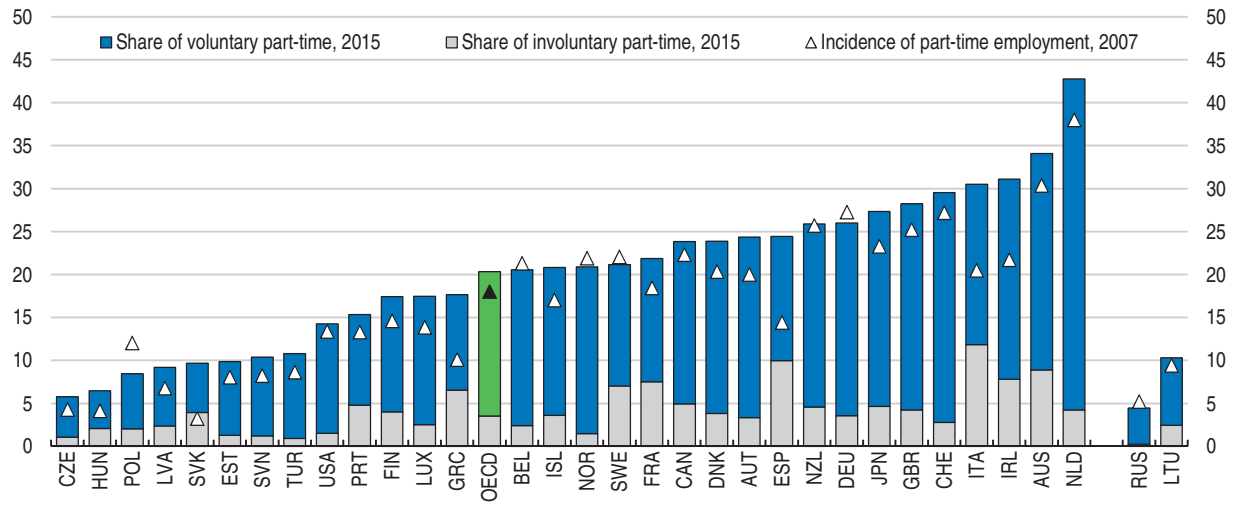
started to improve in countries hardest hit by the crisis, such as Spain or Portugal. Nevertheless, concerns remain strong for youth, with a high proportion being neither in education, nor in employment or training (NEET; see Chapter 2), and who may suffer long-lasting consequences from delayed or unsuccessful labour market entry. Similar concerns

arise for the long-term unemployed, who risk becoming permanently disenfranchised from the labour market. The risk of premature withdrawal from the labour market for older workers also remains high, partly due to unfavourable policies that could be made more labour-market friendly and inclusive.

Furthermore, the overall increase in the proportion of people working has been at least partly offset by shorter average hours per person employed (Figure 1.9, Panel B), which reflects to some extent the increased incidence of part-time work (Figure 1.10). Across the OECD, about one in five employed persons worked part time in 2014 and the importance of part-time work has increased almost across the board since 2007. This increase largely takes the form of involuntary part-time work in the majority of countries, reflecting a shortage of opportunities for full-time employment. In particular, the share of part-time work that is involuntary is much higher in countries where the incidence of part-time work has sharply increased since the crisis (e.g. Italy and Spain), exceeding three-fifths of all part-time workers.

Figure 1.10. **The incidence of involuntary part-time employment has risen in several countries**[1]

Percentage of employment for 15 year-olds and over



1. For 2015, the incidence of part-time employment is split into its voluntary and involuntary shares. For 2007, only the total is shown.
Source: OECD (2016), *OECD Employment Outlook 2016*.

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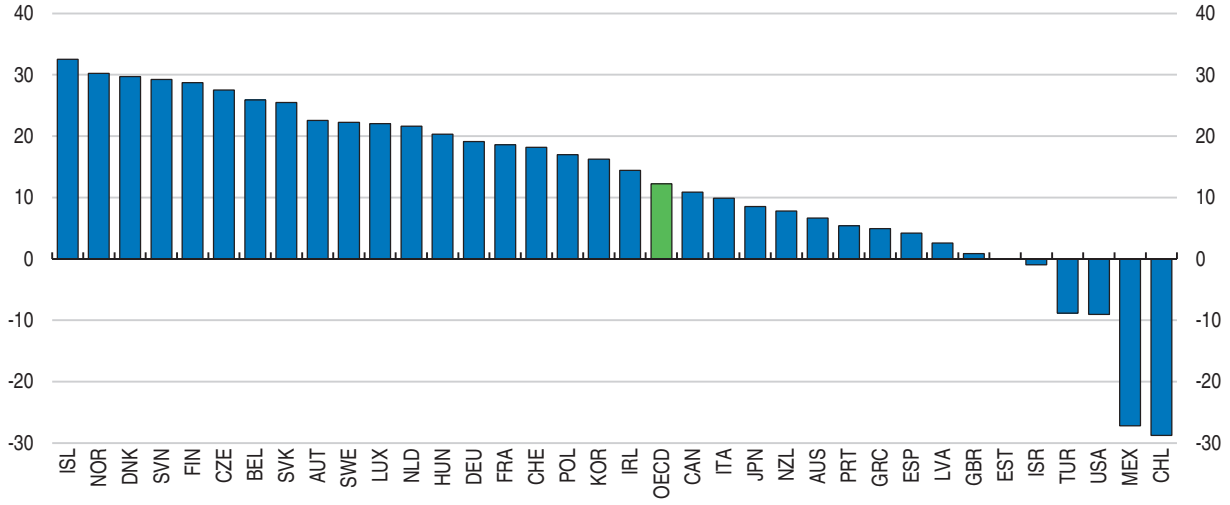
This shift in the job mix toward more part-time has also been accompanied by shifts in the sectoral composition of the economy, potentially increasing the incidence of mismatch between the unemployed and labour demand. In the United States, Japan and the European Union, the contribution of manufacturing, utilities and construction to job losses during the downturn was much larger than it has been to job creation during the recovery. This highlights the importance of policies that can help workers who have lost their jobs in these aforementioned sectors to find new jobs elsewhere so that they do not stay out of the labour market for too long. Addressing these labour market challenges calls for policy actions in several domains, including facilitating access to jobs for under-represented groups, lifting barriers to job creation and helping unemployed workers returning to work with job-search support and to acquire the type of skills required to find new employment opportunities.

Income inequality

The degree of income inequality differs significantly across OECD countries. Such differences can be highlighted by analysing summary indexes of dispersion (the best known of them being the Gini index) of the underlying income distribution. Examining gaps in Gini indexes vis-à-vis the upper-half of the most equal members of the OECD (Figure 1.11) reveals that cross-country differences are large, with the group of least equal countries (Chile, Mexico, Turkey and the United States) having a huge gap vis-à-vis the most equal countries (e.g. Denmark, Iceland, Norway and the Slovak Republic).

Figure 1.11. **Differences in income inequality across countries are large**

Gini at disposable income: percentage gap compared with the upper half of the distribution, 2013[1]



1. For the Gini coefficient (after taxes and transfers), data refer to 2014 for Australia, Finland, Hungary, Israel, Korea, Mexico, the Netherlands and the United States, 2012 for Japan.

Source: OECD, *Income Distribution Database.*

StatLink http://dx.doi.org/10.1787/888933454696

A snapshot of policy priorities for reform

Compared with the 2015 exercise, there has been a slight increase in the share of labour productivity-enhancing priorities in OECD countries, as derived from the combined quantitative and qualitative evaluation (Table 1.1). Indeed, persistently weak productivity growth across the vast majority of countries since the crisis has put productivity at the forefront of the policy agenda. At the same time, labour market conditions have improved somewhat in several countries, which also partly accounts for the shift toward more productivity-focused priorities. However, considering both the many labour market challenges prevailing and the importance of high employment for inclusiveness, recommendations devoted to improve labour utilisation still account for around one-third of total priorities.

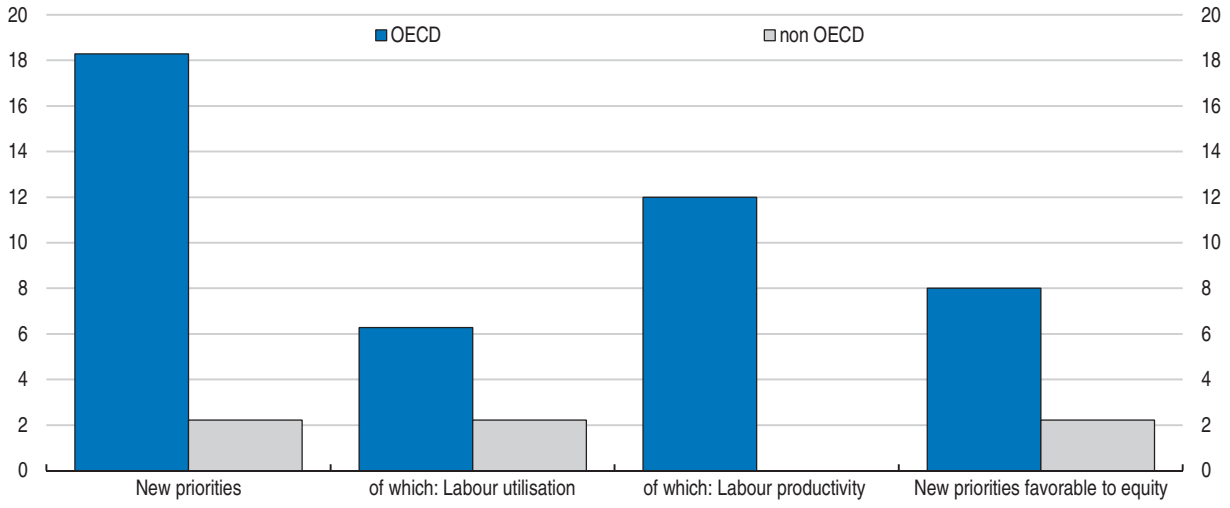
About one-fifth of the 2015 recommendations have been dropped, allowing for a higher proportion of new priorities to be selected, compared to previous issues of *Going for Growth* (Figure 1.12). To some extent, this is the result of the change in methodology (Box 1.2). This is the case for about half of the new priorities (around 10% of the total of priorities). The other half of new priorities is justified by the dropping of former priorities due to sufficient policy actions being taken. In the vast majority of cases (80% of the total priorities), no "significant"

Table 1.1. Share of priority by policy areas

The share of *Going for Growth* priorities by area, %	2017		2015		2013	
	OECD	Non-OECD	OECD	Non-OECD	OECD	Non-OECD
Labour utilisation						
Tax system with emphasis on the level of labour tax wedges	5	7	7	3	7	0
Social benefits and active labour market policies	17	9	17	8	17	7
UB/social protection and ALMPs	15	9	10	8	9	7
Retirement and disability schemes	2	0	6	0	7	0
Retirement systems	1	0	4	0	4	0
Disability and sickness schemes	1	0	2	0	3	0
Policy barriers to full-time female participation	6	2	5	0	5	0
Labour market regulation and collective wage agreements	5	9	9	10	10	10
Job protection legislation	3	4	6	5	7	7
Minimum wages and wage bargaining systems	1	4	2	5	2	3
Housing/planning policies/barriers to labour mobility	2	0	2	0	2	0
Total labour utilisation	34	27	39	20	40	17
Labour productivity						
Human capital	17	20	16	15	16	17
R&D and innovation policies	7	4	6	8	4	3
Product market regulation, trade and FDI	19	20	22	23	21	23
Agriculture and energy subsidies	3	0	4	3	4	3
Tax system-structure and efficiency	9	4	5	5	5	3
Efficiency of public spending	5	4	4	0	5	3
General efficiency	3	2	2	0	3	0
Efficiency of the healthcare sector	1	2	2	0	2	3
Public infrastructure	4	11	2	13	2	10
Legal infrastructure and rule of law	1	4	1	5	1	7
Financial markets regulation	0	4	0	8	1	10
Planning/zoning/housing/policies	2	0	1	3	1	3
Total productivity	66	73	61	80	60	83
Total number of priorities	175	45	175	40	175	30

Figure 1.12. **Close to 20 per cent of total priorities are new in 2017**

As a percentage of total priorities



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action has taken place or the measures adopted have fallen short of what is needed to fully address the challenge and hence to warrant the removal of the corresponding priority. This reflects the piecemeal nature of structural reforms in many areas.

It is also worth emphasising that the changes in priorities reported in this publication prompt also a better alignment of *Going for Growth* recommendations with *Economic Surveys* (Box 1.3). While the latter focus on challenges in specific areas pertaining to the focus of the *Economic Survey*, including macro policies, *Going for Growth* focuses on the most important measures to boost overall income growth for the vast majority of citizens in the long run.

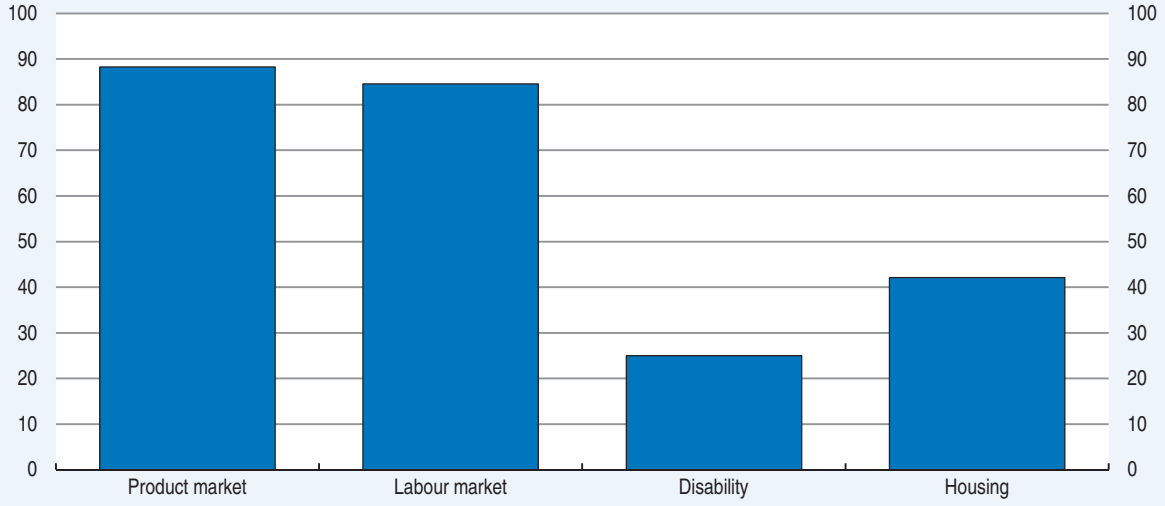
Box 1.3. ***Going for Growth* and Economic Surveys: A coherent and comprehensive policy package**

Going for Growth provides an overview of long-run structural policy challenges from a comparative perspective, which is complemented by more in-depth country analysis as provided by the OECD *Economic Surveys*. *Economic Surveys* go beyond structural policies and also cover macroeconomic, financial stability and environmental issues, but are also in general more reflective of countries' short and medium-term challenges.

Both OECD publications complement each other, providing consistent analysis and policy recommendations over different time horizons. This is reflected in the overlap of recommendations on structural policies between the two publications (see figure below). The overlap is high in broad areas, i.e. product and labour markets, but lower in more specific ones, such as housing and disability. This may reflect the fact that policy changes in the latter areas tend to occur more sparsely, implying that they tend to be maintained systematically as priorities in *Going for Growth*, at least for as long as the gaps in policies and performance remains significant. By comparison, the turnover of recommendations in Surveys tends to be higher, insofar as the focus varies from one Survey to the next. Methodological changes introduced in this issue of *Going for Growth* (see Box 1.2) prompt a higher turnover in recommendations, increasing further the consistency between both publications.

Overlapping recommendations between *Going For Growth* and Economic Surveys[1]

Percentage



1. Bars show the number of recommendations in Economic Surveys that can also be found in the 2015 edition of *Going for Growth*, as a share of *Going for Growth* recommendations. Comparison is made based on surveys published until the end of 2015.

StatLink http://dx.doi.org/10.1787/888933454737

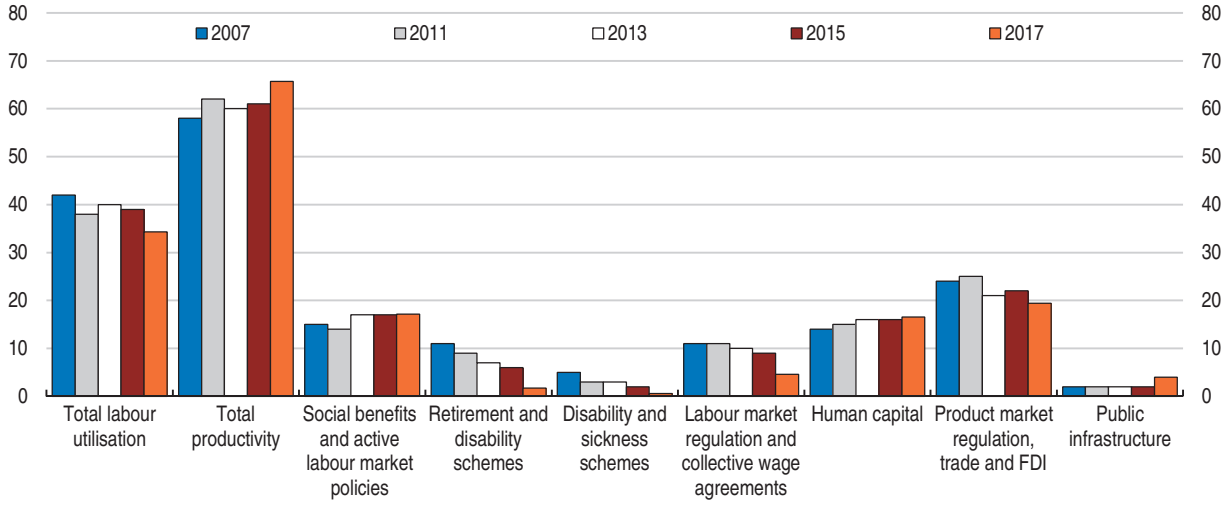
Box 1.3. ***Going for Growth* and Economic Surveys: A coherent and comprehensive policy package** *(cont.)*

Recommendations in this issue of *Going for Growth*, taken together with recommendations made recently in *Economic Surveys*, provide a comprehensive and coherent package of policy advice that policy makers can consider to establish a reform strategy. Since *Economic Surveys* are increasingly focused on policies to promote inclusive growth, the evaluation of coherence between *Going for Growth* priorities and recommendations from the *Economic Surveys* will feature more prominently in future *Going for Growth* publications.

Looking at the distribution of priorities over time, more than half of the new priorities are related to productivity, with a significant portion leading also to more favourable income distribution outcomes (Figure 1.12). This underscores the fact that addressing policy challenges on productivity is often complementary to the goal of achieving more equal societies.[3] The shift towards productivity is partly explained by increases in the share of priorities related to education and human capital, and to a minor extent in the share related to public infrastructure (Figure 1.13). Both are areas where public expenditure can promote both productivity and inclusiveness: better and more education are associated with higher growth and productivity, and also greater income equality. Public investment tends to boost growth and productivity over the long term in the average OECD country and empirical evidence suggests that it leaves income inequality broadly unchanged.[4] Nevertheless, in some cases, infrastructure can also make growth more inclusive, e.g. when it facilitates labour mobility, particularly in non-OECD countries.

Figure 1.13. **The share of productivity-related priorities has risen over time**

As a percentage of total priorities, OECD countries



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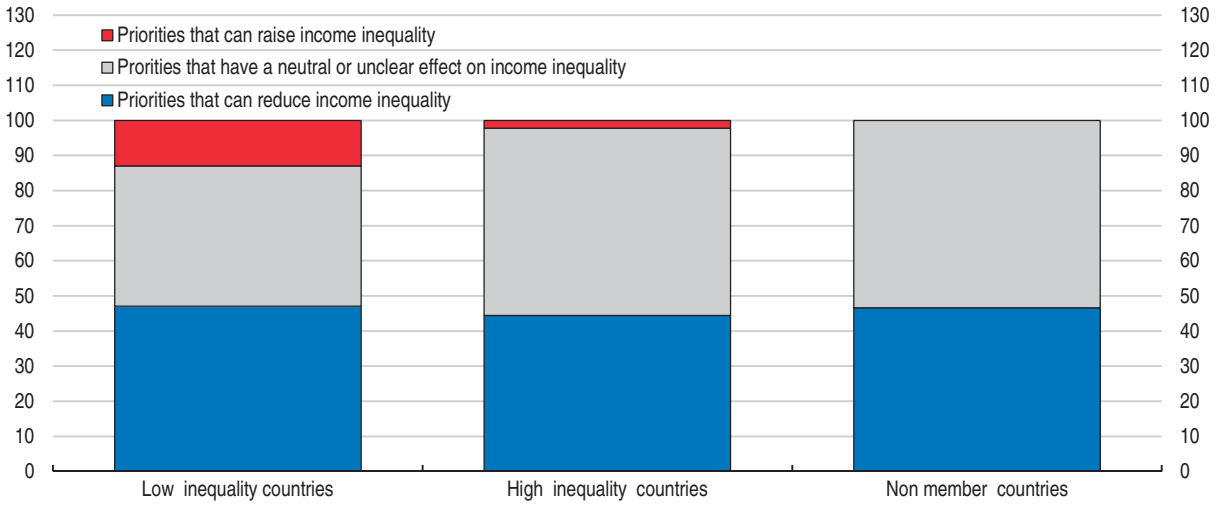
For non-member countries, the distribution of priorities has shifted in the opposite direction, with a greater emphasis on policy priorities aimed at improving labour utilisation. In fact, all new priorities introduced for these countries fall in this area (Table 1.1 and Figure 1.13). The middle class has been expanding in several non-member countries. That expansion is accompanied with a need to increase access and quality of public services, along with stronger social protection based on cost-effective programmes, and this is reflected in new priorities. A common concern in these countries is that the informal sector remains

large. Most often informality is not a choice but a fall back option, meaning that many workers remain outside the reach of labour market regulations and social protection, nurturing the already high levels of inequality and poverty in these countries, as well as the incidence of low-quality jobs[5] (see Chapter 2). Widespread informality is also often associated with low productivity (de Vries et al., 2012). Hence the bulk of priorities in non-member countries remain related to productivity (73%), with a strong focus on: i) regulatory barriers to competition in product markets, which are often higher than in advanced OECD countries; ii) education systems, where quality and equity are relatively low; iii) physical and legal infrastructures, to tackle bottlenecks and also to strengthen institutions to fight corruption.

Structural policies can unlock the productive potential of individuals and enterprises in ways that generate resources for everyone. Priorities advocated in *Going for Growth* are for a large majority conducive to such outcome, with almost half of the pro-growth priorities being equity-friendly in OECD countries (Figure 1.14). This share is identical in non-member countries, where the levels of inequality are far above the OECD average. Priorities which could potentially lead to a trade-off with the equity objective are mostly concentrated in countries with the lowest levels of inequality. It represents around 12% of all priorities in those countries, while it is only 2% in the remaining countries.

Figure 1.14. ***Going for Growth* priorities and their impact on inequality**[1]

As a percentage of priorities, 2017



1. This figure shows the share of *Going for Growth* priorities that could reduce (increase) income inequality for countries (OECD, non-OECD) with Gini coefficient below (lower inequality) or above (upper inequality) the median. For low (high) inequality countries the share is computed taking as denominator the total number of priorities for low (high) inequality countries.

StatLink http://dx.doi.org/10.1787/888933454721

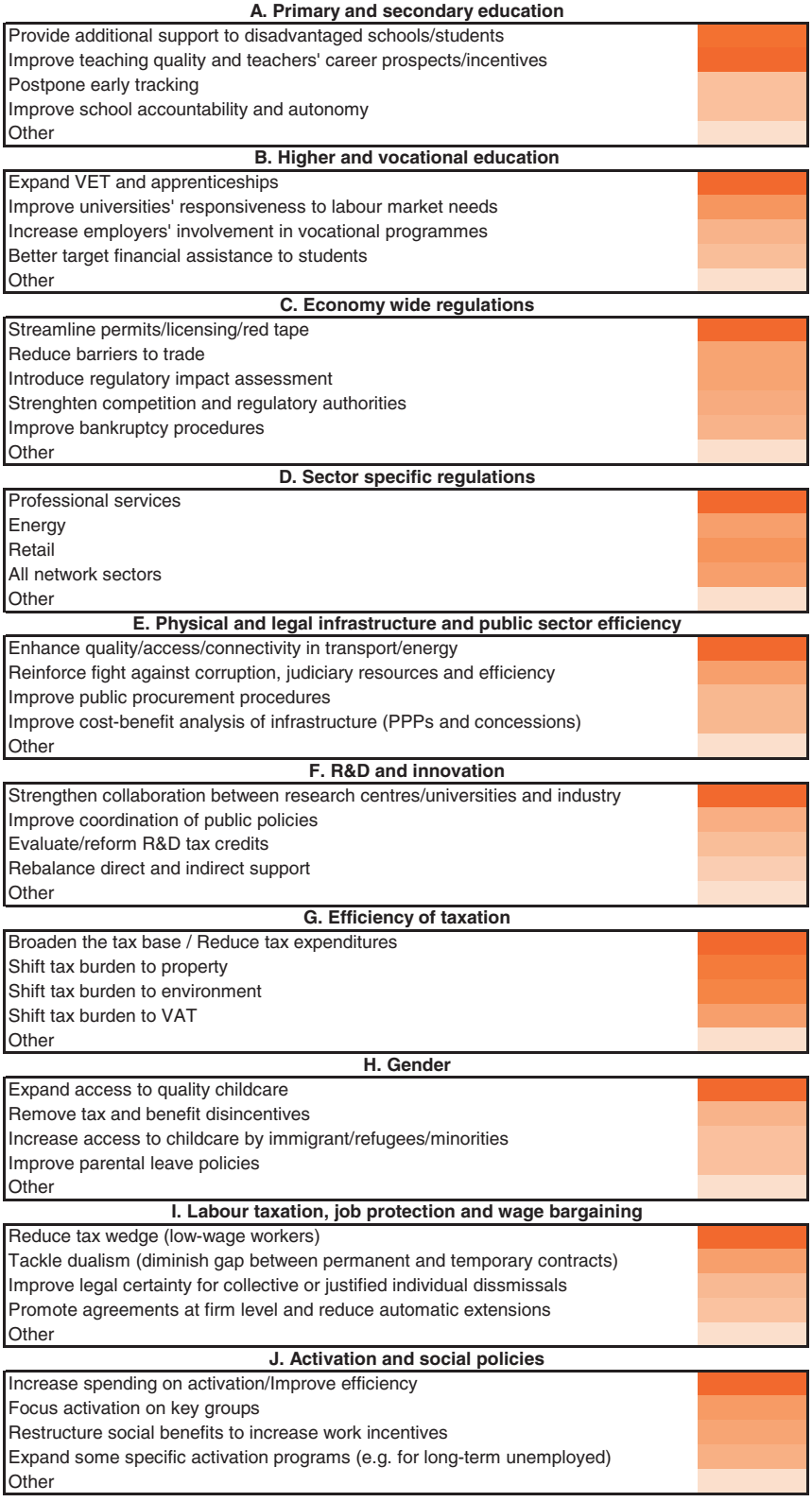
The remaining priorities concern reforms whose impact on income distribution is either neutral or uncertain, as it may depend on the more specific nature of the policy change and the context in which the reform is introduced. In several policy areas, more research is needed before clear conclusions can be drawn about their distributional incidence. Even so, potential trade-offs between growth and equity cannot be used as an excuse to hold back on reforms, but rather justify growth strategies that make full use of the synergies that are advocated, calling for a revival of reform momentum in a coherent and packaged way. In contrast, a piecemeal approach to reforms is more likely to entail attenuated growth gains and potentially adverse equity outcomes.

Ten policy recommendations for boosting inclusive growth

While challenges vary across countries according to their specific circumstances (see Chapter 3), a bird's eye view of *Going for Growth* recommendations points to some common areas of policy priorities across countries (Figure 1.15). Looking at the most prevalent recommendations across the various policy areas points to ten key *Going for Growth* recommendations to achieve strong and inclusive growth:

- *Allocating education resources more equitably across schools and students:* spreading education benefits more fairly across society is a common challenge at primary and secondary level to reduce inequality of opportunity and lift productivity in the long run.
- *Expanding and improving vocational education and training*: addressing challenges in this area can in the short run tackle persistently high youth unemployment in some countries while providing in the long run better bridges between education and labour market and reduce skill mismatch.
- *Streamlining permits and licensing and cutting red tape*: facilitating the entry of new firms helps to bring new ideas to the market, while encouraging incumbents to innovate, improve the quality or variety of products and experiment with new modes of production as means to escape competition. In line with evidence showing that young firms disproportionately drive employment growth, lower regulatory barriers to entry also enhance inclusiveness by promoting job creation (Gal and Theising, 2015; Criscuolo, Gal and Menon, 2014).
- *Reducing entry barriers in professional services*: particularly acute across many countries, lowering such barriers offers a large potential payoff in the current macroeconomic environment as it can stimulate demand in the short run (OECD, 2016a). Furthermore, it can also positively spill over to the whole economy, since professional services are inputs for nearly all firms as well as key for trade competitiveness.
- *Addressing infrastructure bottlenecks*: particularly acute in transport and energy (and considering the digital future, in networks), it would boost productivity and can also contribute to stronger labour utilisation and inclusiveness through enhanced labour mobility, and to better environmental protection through lower carbon emissions.
- *Enhancing R&D collaboration between universities and firms*: can help to close the productivity gap between the least productive and most productive firms (Andrews et al., 2015), as R&D collaboration facilitates technological diffusion by providing smaller firms with access to sources of knowledge. Initiatives to encourage R&D collaboration between universities and firms can thus make productivity more inclusive.
- *Broadening the tax base and reducing tax expenditures*: as a way to reduce distortions, it can lead to a more growth-friendly tax system, enhance revenues and reduce income inequality. More generally, shifting taxation from labour and capital to immovable properties (housing and land), inheritance and environmental sources can help boost growth in an equity-friendly manner.
- *Achieving greater gender equality, in particular through more and better early childhood education options*: the high proportion of women excluded from the labour market (or overrepresented among involuntary part-time workers) in a number of countries can be partly traced to ill-designed policies, such as a lack of affordable and high-quality childcare. Since attendance at early childhood education also improves school outcomes for disadvantaged students, increasing the provision and quality can entail the double

Figure 1.15. **Prevalence of *Going for Growth* recommendations across policy areas**[1]



1. Darker shades represent the more prevalent recommendations across both OECD and non-OECD countries. See Chapter 3 for an in-depth survey of the recommendations for each country.

dividend of encouraging greater female labour force participation and mitigating social inequalities. It would also be a key policy to improve the integration of immigrants and minorities and would help to bring about the economic and social benefits from the growing population diversity found in OECD and non-OECD countries.

- *Reducing the tax wedge on low-skilled workers*: high labour tax wedges contribute to labour demand-side obstacles faced by the low-skilled and youth. Lowering them can make the labour market more inclusive and reduce wage inequality also by increasing hours worked.
- *Increasing spending on activation policies as well as their efficiency*: in countries with high and sustained long-term and youth unemployment rates, and also in countries where large segments of the population are facing important difficulties to access the labour market, activation policies facilitate the return to work for the unemployed, making the labour market more inclusive, and can also improve resource allocation (Andrews and Saia, 2016) and productivity.

The annex to this chapter contains tables presenting the full list of recommendations for all countries, grouped by policy areas. A more detailed discussion, as well as country-specific presentation in separate country notes, can be found in Chapter 3.

Notes

1. This new framework is presented in a special chapter of this publication (Chapter 2).
2. See Box 1.2 in OECD (2016d).
3. This is based on the analysis on the links between policy and performance drawn from various studies (see Chapter 2).
4. See Fournier (2016) and Fournier and Johansson (2016) for some recent evidence.
5. See OECD (2011) and OECD (2016).

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ANNEX 1.A1

Table 1.A1.1. **Labour market integration of specific groups**

	Australia	Austria	Belgium	Canada	Chile	Czech Republic	Denmark	Estonia	European Union	Finland	France	Germany	Greece	Hungary	Iceland	Ireland	Israel	Italy	Japan	Korea	Latvia
Policies to make the labour market more gender inclusive																					
Expand access to quality childcare & 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		✓																			
Policies to improve integration of immigrants and minorities																					
Provide language acquisition support			✓				✓		✓			✓									
Improve training							✓					✓									✓
Expedite recognition of skill/qualifications			✓									✓									
Improve information/monitoring of the situation of minorities	✓																				

	Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovak Republic	Slovenia	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Argentina	Brazil	China	Colombia	Costa Rica	India	Indonesia	Lithuania	South Africa
Policies to make the labour market more gender inclusive																								
Expand access to quality childcare & 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												✓												
Policies to improve integration of immigrants and minorities																								
Provide language acquisition support											✓													
Improve training											✓													
Expedite recognition of skills/qualifications											✓													
Improve information/monitoring of the situation of minorities				✓				✓																

Table 1.A1.2. **Active labour market policies and social benefits**

	Australia	Austria	Belgium	Canada	Chile	Czech Republic	Denmark	Estonia	European Union	Finland	France	Germany	Greece	Hungary	Iceland	Ireland	Israel	Italy	Japan	Korea	Latvia
Active labour market policies																					
Increase spending								✓					✓				✓				✓
Improve efficiency																		✓			
Focus on key risk groups								✓		✓	✓				✓						
Expand some specific programmes													✓	✓		✓			✓	✓	
Better enforce mutual obligation										✓	✓					✓					
Improve co-ordination between different government levels																		✓			✓
Social benefits																					
Restructure benefits to increase work incentives										✓					✓	✓					✓
Improve targeting																✓		✓			✓
Expand the coverage of social benefits													✓						✓	✓	✓
Eliminate regressive subsidies																					

	Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovak Republic	Slovenia	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Argentina	Brazil	China	Colombia	Costa Rica	India	Indonesia	Lithuania	South Africa
Active labour market policies																								
Increase spending									✓	✓				✓	✓	✓							✓	✓
Improve efficiency	✓		✓					✓	✓	✓				✓										
Focus on key risk groups			✓						✓				✓											
Expand some specific programmes				✓						✓					✓									✓
Better enforce mutual obligation																								
Improve co-ordination between different government levels										✓														
Social benefits																								
Restructure benefits to increase work incentives	✓		✓						✓														✓	
Improve targeting	✓								✓						✓		✓					✓		
Expand the coverage of social benefits																		✓					✓	
Eliminate regressive subsidies																✓						✓		

Table 1.A1.3. **Labour taxation, regulations and collective agreements**

	Australia	Austria	Belgium	Canada	Chile	Czech Republic	Denmark	Estonia	European Union	Finland	France	Germany	Greece	Hungary	Iceland	Ireland	Israel	Italy	Japan	Korea	Latvia
Labour taxation																					
Reduce social security contributions		✓	✓					✓			✓	✓		✓				✓			
Reduce labour tax wedge for low wage workers			✓					✓				✓		✓				✓			✓
Introduce or expand EITC																	✓				
Labour market regulations																					
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																			✓		
Minimum wage and wage bargaining systems																					
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																				✓	

	Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovak Republic	Slovenia	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Argentina	Brazil	China	Colombia	Costa Rica	India	Indonesia	Lithuania	South Africa
Labour taxation																								
Reduce social security contributions													✓			✓			✓	✓			✓	
Reduce labour tax wedge for low wage workers			✓			✓				✓			✓											
Introduce or expand EITC															✓								✓	
Labour market regulations																								
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			✓																			✓		
Minimum wage and wage bargaining systems																								
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															✓									

Table 1.A1.4. **Regulations for domestic and foreign firms**

	Australia	Austria	Belgium	Canada	Chile	Czech Republic	Denmark	Estonia	European Union	Finland	France	Germany	Greece	Hungary	Iceland	Ireland	Israel	Italy	Japan	Korea	Latvia
Economy wide regulations																					
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																					
Sector specific regulatory burden																					
Professional services		✓	✓	✓							✓	✓				✓					✓
Energy				✓				✓						✓			✓		✓		
Retail		✓	✓	✓		✓				✓	✓			✓		✓					
All network sectors			✓			✓							✓	✓							✓
Services			✓				✓		✓											✓	
Banking																	✓		✓		
Construction							✓			✓											
Transport												✓									
Post												✓							✓		
Ports																✓					
Barriers to trade and FDI																					
Reduce barriers to trade									✓						✓		✓		✓	✓	
Reduce barriers to FDI				✓															✓		
Reduce/reform public subsidies to agriculture or energy									✓								✓		✓	✓	

Table 1.A1.4. **Regulations for domestic and foreign firms** *(cont.)*

	Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovak Republic	Slovenia	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Argentina	Brazil	China	Colombia	Costa Rica	India	Indonesia	Lithuania	South Africa
Economy wide regulations																								
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		✓				✓																		
Sector specific regulatory burden																								
Professional services	✓	✓					✓		✓	✓														
Energy																								✓
Retail	✓	✓			✓																			
All network sectors					✓								✓											✓
Services																								
Banking		✓																		✓	✓			
Construction																								
Transport		✓		✓	✓					✓														
Post					✓																			
Ports							✓			✓														
Barriers to trade and FDI																								
Reduce barriers to trade				✓	✓							✓				✓	✓							
Reduce barriers to FDI		✓		✓												✓		✓				✓		
Reduce/reform public subsidies to agriculture or energy					✓							✓	✓			✓						✓		

Table 1.A1.5. **Human capital and R&D**

	Australia	Austria	Belgium	Canada	Chile	Czech Republic	Denmark	Estonia	European Union	Finland	France	Germany	Greece	Hungary	Iceland	Ireland	Israel	Italy	Japan	Korea	Latvia
University																					
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 specialization																					
Vocational																					
Expand VET and apprenticeships							✓	✓			✓		✓				✓				
Increase employers involvement						✓		✓													
Increase workplace component								✓						✓							✓
Improve alignment with labour market needs					✓																✓
Primary and secondary																					
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																					
Expand lifelong learning			✓				✓					✓	✓	✓							✓
R&D and innovation																					
Strengthen collaboration between research centres/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																					

Table 1.A1.5. **Human capital and R&D** *(cont.)*

	Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovak Republic	Slovenia	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Argentina	Brazil	China	Colombia	Costa Rica	India	Indonesia	Lithuania	South Africa
University																								
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 specialization										✓														
Vocational																								
Expand VET and apprenticeships	✓					✓	✓			✓			✓	✓		✓	✓	✓		✓	✓			✓
Increase employers involvement								✓		✓										✓				
Increase workplace component																							✓	
Improve alignment with labour market needs							✓			✓	✓													
Primary and secondary																								
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								✓		✓														
Expand lifelong learning								✓						✓										
R&D and innovation																								
Strengthen collaboration between research centres/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		✓																		✓				

Table 1.A1.6. **Tax structure**

	Australia	Austria	Belgium	Canada	Chile	Czech Republic	Denmark	Estonia	European Union	Finland	France	Germany	Greece	Hungary	Iceland	Ireland	Israel	Italy	Japan	Korea	Latvia
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													✓					✓			✓
Improve legal certainty for collective or justified individual dismissals																					
Reduce corporate tax rate				✓															✓		
Reduce the scope of VAT reduced rates										✓		✓									
Reduce top income tax rates																					

	Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovak Republic	Slovenia	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Argentina	Brazil	China	Colombia	Costa Rica	India	Indonesia	Lithuania	South Africa
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						✓				✓														
Improve legal certainty for collective or justified individual dismissals																								
Reduce corporate tax rate					✓										✓									
Reduce the scope of VAT reduced rates			✓								✓	✓												
Reduce top income tax rates									✓		✓													

Table 1.A1.7. **Physical and legal infrastructure and public spending efficiency**

	Australia	Austria	Belgium	Canada	Chile	Czech Republic	Denmark	Estonia	European Union	Finland	France	Germany	Greece	Hungary	Iceland	Ireland	Israel	Italy	Japan	Korea	Latvia
Infrastructure																					
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																					
Rule of law																					
Sustain/reinforce fight against corruption														✓				✓			
Reinforce judiciary resources/out of court procedures/ efficiency													✓					✓			
Improve legislation																		✓			
General public spending efficiency																					
Improve public procurement procedures			✓			✓	✓							✓				✓			
Improve human resources management																		✓			
Improve monitoring and performance evaluation						✓															
Health sector efficiency																					
Promote and improve generics drugs use																					
Reinforce/monitor equity in access										✓											
Promote more healthy lifestyles																					

Table 1.A1.7. **Physical and legal infrastructure and public spending efficiency** *(cont.)*

	Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovak Republic	Slovenia	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Argentina	Brazil	China	Colombia	Costa Rica	India	Indonesia	Lithuania	South Africa
Infrastructure																								
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														✓						✓				
Rule of law																								
Sustain/reinforce fight against corruption		✓																				✓		
Reinforce judiciary resources/out of court procedures/efficiency		✓																				✓		
Improve legislation		✓																✓						
General public spending efficiency																								
Improve public procurement procedures																								
Improve human resources management								✓																
Improve monitoring and performance evaluation								✓																
Health sector efficiency																								
Promote and improve generics drugs use												✓											✓	
Reinforce/monitor equity in access															✓			✓						
Promote more healthy lifestyles				✓																			✓	

Table 1.A1.8. **Housing**

	Australia	Austria	Belgium	Canada	Chile	Czech Republic	Denmark	Estonia	European Union	Finland	France	Germany	Greece	Hungary	Iceland	Ireland	Israel	Italy	Japan	Korea	Latvia
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																					

	Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovak Republic	Slovenia	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Argentina	Brazil	China	Colombia	Costa Rica	India	Indonesia	Lithuania	South Africa
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	✓													✓										

Table 1.A1.9. **Retirement and disability policies**

	Australia	Austria	Belgium	Canada	Chile	Czech Republic	Denmark	Estonia	European Union	Finland	France	Germany	Greece	Hungary	Iceland	Ireland	Israel	Italy	Japan	Korea	Latvia
Increase statutory retirement age		✓												✓							
Limit access to early retirement		✓												✓	✓						
Review criteria to access disability/sickness benefits		✓																			
Increase portability of pension rights									✓			✓									
Focus special schemes on elderly with low income																				✓	
Adjust pension benefit indexation formula																					

	Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovak Republic	Slovenia	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Argentina	Brazil	China	Colombia	Costa Rica	India	Indonesia	Lithuania	South Africa
Increase statutory retirement age	✓					✓			✓				✓											
Limit access to early retirement	✓								✓															
Review criteria to access disability/sickness benefits					✓																			
Increase portability of pension rights																								
Focus special schemes on elderly with low income																								
Adjust pension benefit indexation formula									✓															

Chapter 2

Integrating inclusiveness in the *Going for Growth* framework

This chapter discusses how the Going for Growth *framework is extended to fully take into consideration inclusiveness as a policy objective, alongside employment and productivity growth. It first provides a broad picture of inclusiveness trends across OECD and selected non-OECD countries, focusing on income distribution and inequality outcomes. The chapter then offers a comprehensive assessment of policy challenges related to inclusiveness and potential remedies reflected in the formulation of* Going for Growth *reform priorities.*

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.

Main findings

- A new extended *Going for Growth* framework is used to identify country-specific reform priorities based on their ability to boost growth and make it more inclusive. The framework for selecting policy priorities now considers inclusiveness as a prime objective, alongside productivity and employment.
- Such priorities are derived from a combined quantitative assessment based on cross-country comparisons in growth and inclusiveness outcomes and policy settings, along with a qualitative assessment based on country expertise.
- Metrics of inclusiveness are based on a dashboard of indicators encompassing a number of income and non-income dimensions such as inequality and poverty, job quantity and job quality, along with labour market inclusion of vulnerable groups, gender gaps and equity in education, as well as health outcomes.
- There is significant scope for selecting priorities that can exploit synergies between the pursuit of growth and inclusiveness:
  - Almost half of the 2017 *Going for Growth* priorities identified under the extended framework would make growth more inclusive in the sense that the corresponding reforms would boost growth and reduce income inequalities.
  - Considering that in a number of areas pro-growth policies may potentially conflict with the inclusiveness objective, the integration of the latter in the selection of policy priorities further raises the importance of considering reform packages to achieve strong and inclusive growth.
- In seeking to make growth more inclusive, governments should focus on the following policy areas:
  - *Ensuring broad access to quality education and upskilling*. Education shapes each individual's life chances and is closely related to skills and training, which in turn increasingly determines people's ability to earn a decent living. Policy reforms need to address the needs of young people from pre-school to university, so that they get the best start in life and the support they need throughout their education. The focus is on enhancing equality of opportunities and securing adaptability of the workforce to changing demand for skills.
  - *Lifting the quantity and the quality of jobs and addressing labour market insecurity and segmentation*. Policy reforms are identified with a view to creating quality jobs while integrating specific socio-demographic groups that are underrepresented in the workforce, most notably young people and women. At the current juncture, governments must minimise the risk of vulnerable youth – such as early school leavers who are neither employed nor in education or training (NEETs) – permanently facing a difficult access to the labour market. Creating more and better jobs also requires tackling labour market duality and segmentation, including informality in the case of emerging economies.

- *Enhancing the effectiveness of tax and transfer systems in reducing income inequality and poverty, taking into account equity and efficiency objectives*. Many countries have room for making their tax and transfer systems more efficient with no adverse distributional implications. This includes designing social transfers with a view to protecting individuals and families who need it most while ensuring that work pays for those at the low-end of the income distribution and for women, as well to limiting tax breaks and allowances that disproportionately benefit high-income households.

Introduction

This chapter presents and discusses an extended framework integrating inclusiveness in *Going for Growth*.[1] It is applied for the first time to identify the 2017 country-specific reform priorities formulated in Chapter 3. The extended framework incorporates priorities against performance metrics of productivity, employment and inclusiveness. Adapting the priority selection process along these lines reflects the empirical evidence clearly signalling that higher growth is not systematically associated with rising living standards for the vast majority of citizens. In particular, the dispersion of disposable incomes (i.e. after taxes and social transfers) has been on the rise during the past 30 years (Atkinson, 2015; OECD, 2008; 2011a; 2015b).[2] Rising income inequality is not only the reflection of rising top incomes, but also that of falling or stagnating bottom incomes, potentially dampening educational opportunities and social mobility. Moreover, rising inequality has played out against a global slowdown in productivity growth which, at least in many advanced economies, predates the crisis (OECD, 2016a; 2016b). Policy makers thus need to address the twin challenge of slowing productivity and rising inequality.

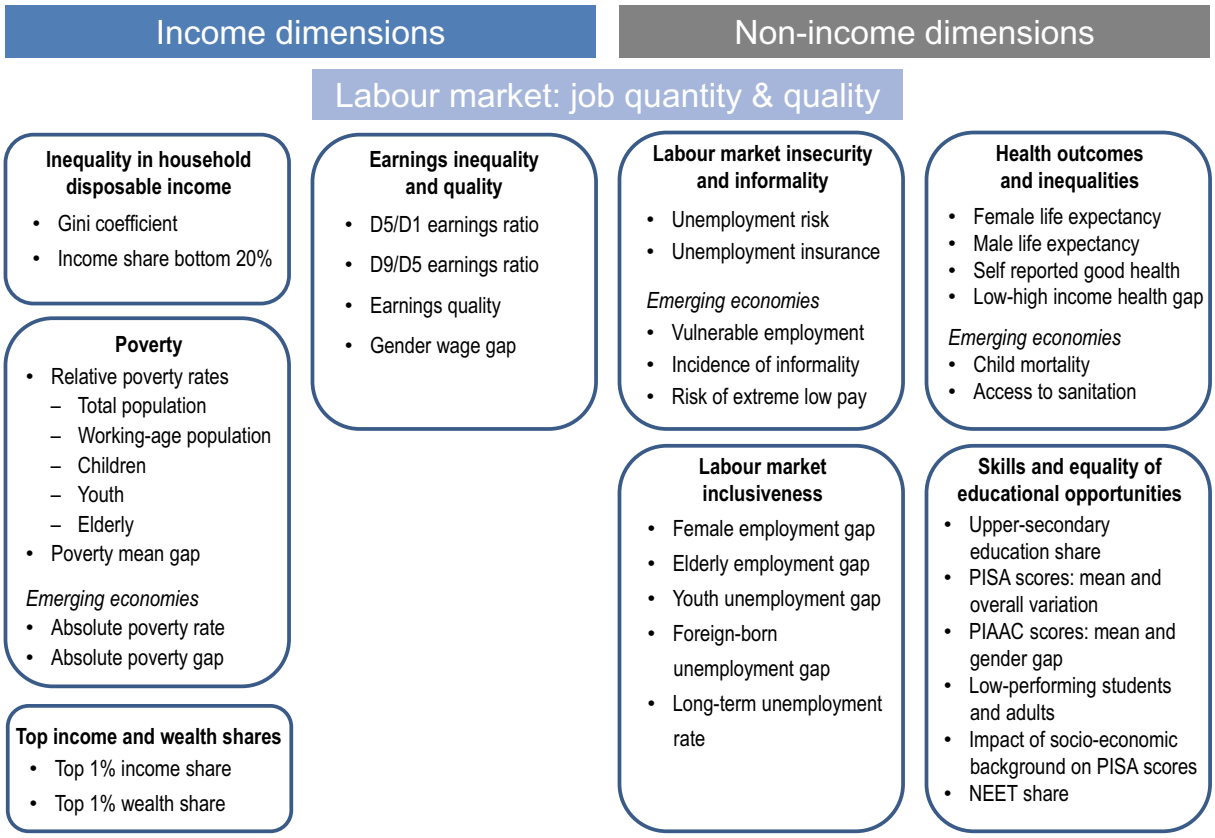
The revised *Going for Growth* priority-setting framework continues to build on matching relative weaknesses in performance with relative weaknesses in policy settings, covering now inclusiveness alongside productivity and employment growth. The integration of inclusiveness is based on a dashboard of indicators encompassing a number of income and non-income dimensions such as inequality and poverty, job quantity and job quality along with labour market inclusion of vulnerable groups, gender gaps and equity in education. The quantitative assessment delivered by the matching exercise is complemented with a qualitative assessment based on country expertise, with a view to capturing potential policy imperatives in fields not covered by the indicators as well as to tailoring country-specific reform strategies to country-specific context and circumstances.

A flexible framework for integrating inclusiveness in the identification of *Going for Growth* priorities

A dashboard of inclusiveness indicators

The integration of inclusiveness in the identification of country-specific reform policy priorities builds on a dashboard of indicators encompassing various income and non-income dimensions of inequality and, more broadly, inclusiveness. These indicators are used to assess countries' relative outcomes in associated areas, considering levels and changes over time. Figure 2.1 presents the dashboard and associated indicators while the Annex provides the data on a country-by-country basis. Since the various dimensions of inclusiveness cannot adequately be captured by a single measure that can then be broken into sub-components, there is no clear analytical framework for linking together the various indicators, as can be done for GDP per capita, productivity and employment.

Figure 2.1. **The *Going for Growth* dashboard of inclusiveness indicators**



The dashboard covers standard measures of household disposable income inequality along with some of its components (e.g. disposable income inequality at different points of the distribution, wage inequality among workers); as well as poverty measures (e.g. relative poverty for total population and for different demographic groups, absolute poverty being used for emerging economies). Labour market indicators feature prominently in the dashboard, reflecting the importance of labour market status and labour income as a major driver of inequality and inclusion in society, in addition to being a driver of growth. This also reflects that evidence on the link between policies and outcomes is relatively more abundant in this area. Overall, labour market indicators cover job quantity and job quality. Job quality draws on the OECD Job Quality framework, encompassing earnings quality and labour market insecurity, with a complementary focus on informality and risk of extreme low pay in emerging economies.[3]

The dashboard also emphasises labour market inclusiveness, i.e. the integration of women (and, more broadly, the gender divide), youth, elderly and migrants in the labour market. It includes selected non-income dimensions, first and foremost in the area of skills and equity in education, as this in turn increasingly determines peoples' ability to earn a decent living and participate in society, on top of being a major driver of productivity growth (OECD, 2016a). Associated outcomes are measured on the basis of PISA and PIAAC data, hence covering both youth and adults; finally, the dashboard covers available measures of health outcomes and health inequalities.[4] The specific indicators have been chosen to cover both the overall degree of inequality in each income and non-income

dimension, as well as the degree of horizontal inequalities; that is, within each of those dimensions, inequalities across socio-demographic groups based on gender, age, migration status and education.

Inequality is mainly assessed from a static perspective rather than from a dynamic perspective, which would imply covering inequality throughout the lifecycle and across generations. It is also mainly assessed in terms of outcomes rather than opportunities. This essentially reflects the lack of data on a cross-country comparable basis as well as the limited available evidence between outcomes and policies in this area. As an attempt to partly overcome associated limitations, the dashboard includes an assessment of inequality of educational opportunities with a view to coming closer to issues of intergenerational social mobility. This is measured by the estimated impact of students' socio-economic background on PISA scores. Overcoming data constraints is key to identifying robust empirical relationships between the various income and non-income dimensions of well-being and policies, as well as to ensure their responsiveness to policy intervention. This is work in progress at the OECD and will gradually be integrated in *Going for Growth*.[5]

Matching performance weaknesses with policy weaknesses in the inclusiveness dimension

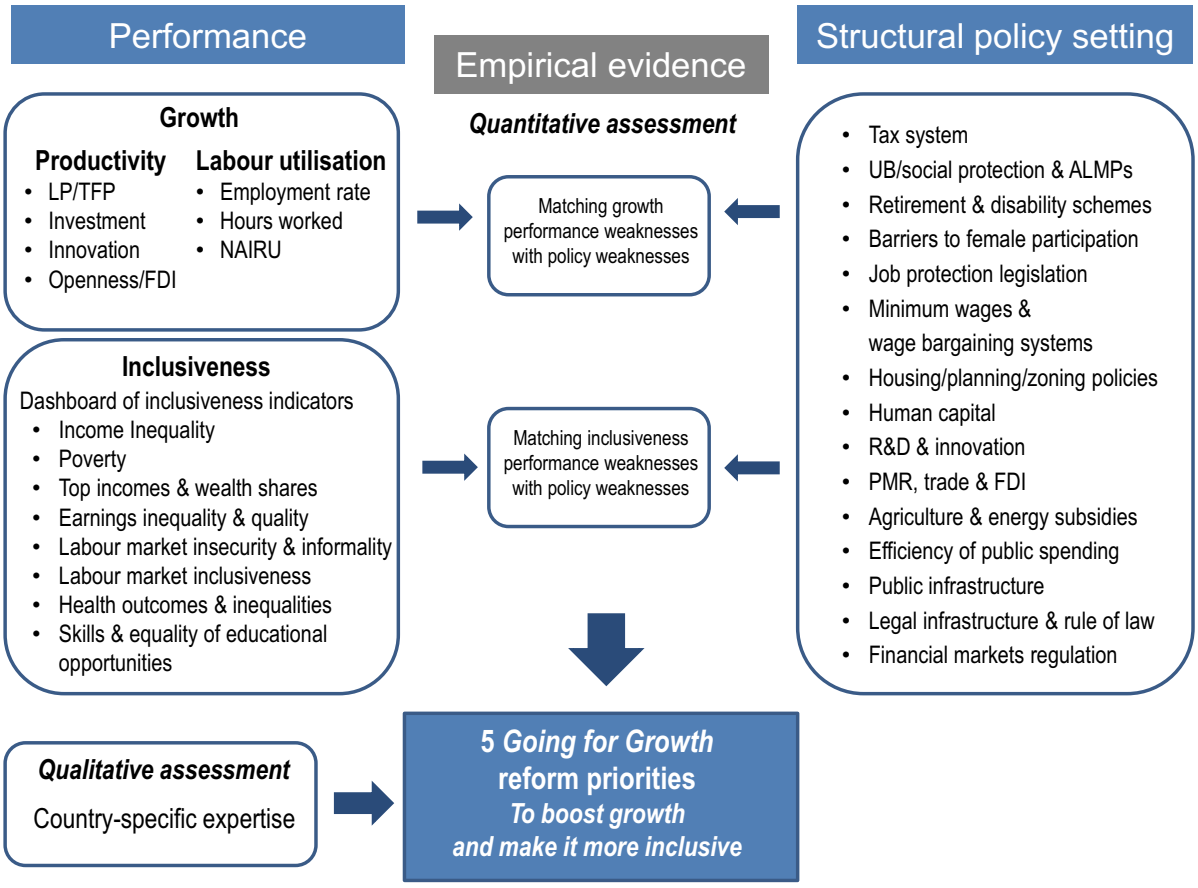
The *Going for Growth* priority-setting process is based on matching performance weaknesses and policy weaknesses, taking the OECD average outcome as a benchmark. In this regard, the priority-setting extended to the inclusiveness dimension follows the same logic of the priority-setting implemented so far, focused on the growth dimension only (see Chapter 1 and past issues of *Going for Growth*). The identification of reform priorities and the formulation of underlying recommendations build on a "mixed" approach under which the quantitative assessment delivered by the matching between outcome indicators and policy indicators is complemented by a qualitative assessment so as to tailor reform strategies to country-specific context and circumstances (Figure 2.2). Such a qualitative assessment is based on local expertise, that is, in consultation with OECD country specialists. This allows also for capturing reform imperatives in policy areas which cannot be easily quantified and therefore which are not covered by the quantitative matching.

Inclusiveness indicators included in the dashboard are matched with corresponding policy indicators, where empirical research has shown a robust link, to determine where performance weaknesses are a potential reflection of policy weaknesses.[6] For this exercise, the matching focuses mainly on the inclusiveness impact of growth-friendly policies, implying that it leaves out inequality-reducing tax and transfer reforms.[7] This is because the empirical evidence on the growth impact of such reforms is still limited.

Thus, at this stage the framework builds on the extensive empirical research on the effects of pro-growth structural policies on income inequality and, more broadly, inclusiveness outcomes (see Chapter 2 in OECD, 2015a, for a summary of the literature). In particular:

- *Empirical evidence on the impact of structural reforms on household disposable incomes across the distribution, hence on income inequality* (OECD, 2011a; Causa et al. 2015; 2016) *and on wage dispersion among employees* (OECD, 2011a; Braconier and Ruiz-Valenzuela, 2014). For example, the level of long-term unemployment benefits and public spending on in-kind family benefits (policy indicators) are matched with disposable income inequality when inequality is assessed through measures that emphasise the bottom of the distribution (outcome indicator). The share of population with tertiary education (policy indicator) is

Figure 2.2. **An overview of the extended *Going for Growth* priority-setting process**



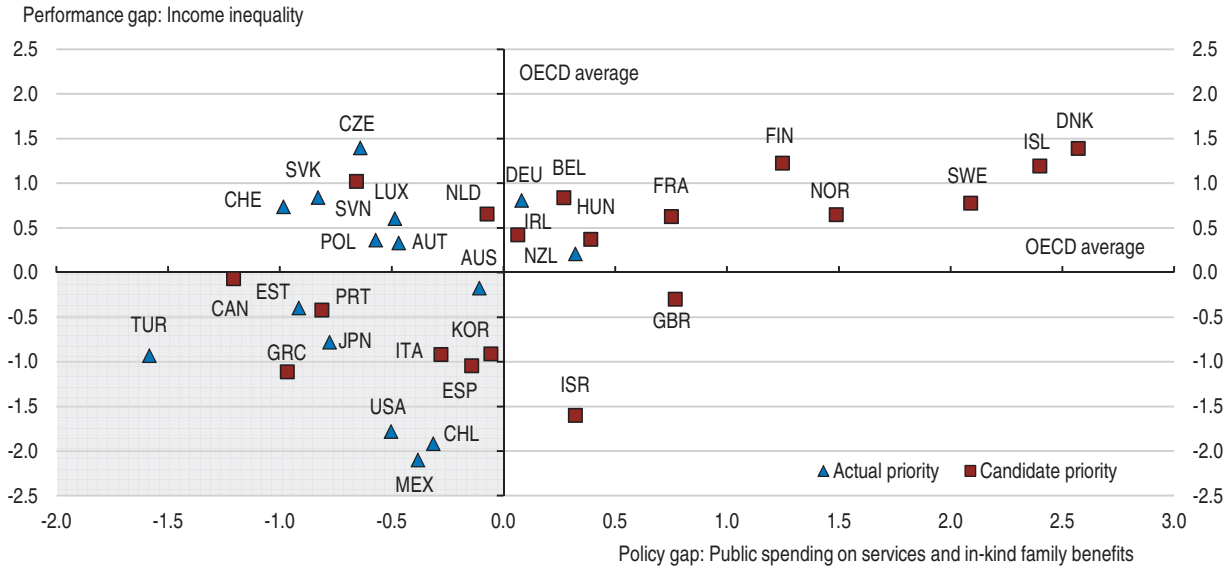
matched with a measure of wage inequality based on the ratio of the ninth decile (highest wages) over the fifth decile or median wages (outcome indicator).

- *Empirical evidence on the impact of pro-growth reforms on labour market insecurity, informality and labour market inclusion of specific population groups* (Gal and Theising, 2015; De Serres and Murtin, 2014). For example, the employment rate of women (performance) is matched with public spending on in-kind family benefits (related policy). Youth employment (performance) is matched with public spending on active labour market policies (ALMPs; related policy). Long-term unemployment and incidence of informality (performance) are matched with employment protection legislation (EPL) for regular contracts (related policy). Labour market insecurity (performance) is matched with coverage of unemployment benefits and social assistance (related policy).
- *Empirical evidence on the impact of pro-growth reforms on intergenerational social mobility* (Causa and Johansson, 2009). For example, the impact of socio-economic background on PISA performance (performance) is matched with spending on childcare and pre-school (related policy).
- *Empirical evidence on the impact of pro-growth reforms on poverty* (Marx et al., 2015; World Bank, 2015).[8] For example, relative poverty (performance) is matched with income levels for families relying on minimum-income, safety-net benefits or with full-time minimum wage employment (related policy).

Figure 2.3 gives an example of the matching between household disposable income inequality and public spending on services and in-kind family benefits (which covers for instance direct financing of providers of childcare and early education facilities). Countries are benchmarked against the OECD average by standardising both performance and outcome indicators to have cross-country mean zero and standard deviation of one, with positive values representing more inclusiveness-friendly positions. Accordingly, reforming in-kind family benefits is a candidate priority for those countries falling into the lower-left quadrant of the figure, i.e. those that exhibit higher than OECD average disposable income inequality and lower than OECD average public spending on in-kind family benefits. Not all candidate priorities ultimately correspond to actual priorities, which is why for example some countries do not feature a priority in the area of in-kind family benefits even though they fall into the lower-left quadrant of Figure 2.3. Country-specific expertise is used to determine whether a candidate reform priority is indeed a pressing challenge in the given country context; and, if yes, for tailoring the specific recommendation to the specific nature of the challenge at stake.

Figure 2.3. **Matching performance weaknesses with policy weaknesses in the inclusiveness dimension: an illustrative example**

Household income inequality (performance) and public spending on services and in-kind family benefits (policy)



How to read this figure: The vertical axis displays cross-country performance in terms of income inequality (measured by a bottom-sensitive Atkinson inequality index with parameter -4, see Causa et al., 2016). The horizontal axis displays cross-country policy-setting in terms of public spending on services and in-kind family benefits in per cent of GDP (among other a measure of access to childcare and early childhood education). Both indicators have been standardised by re-scaling them so that each has a cross-country mean of zero and a standard deviation of one, with positive numbers representing positions more inclusiveness-friendly than the OECD average. The scatter plot is thus divided into four quadrants, depending on whether a country's policy-performance pairing is below or above the average policy or performance score. Hence, reforming in-kind family benefits is a candidate priority for countries falling into the lower-left quadrant (e.g. Turkey), where the policy and corresponding performance indicator are both below the OECD average. Countries marked by a triangle have expanding access to childcare and early childhood education among their *Going for Growth* priorities (see Chapter 3).

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The matching between performance and policies is less comprehensive in the case of inclusiveness outcomes compared to the well-established case of productivity and employment. As a result, not all indicators included in the dashboard can be matched with policies. Such is the case of various dimensions of risk of social exclusion for specific

demographic groups, for instance the share of youth that are NEET, as well as inequality in health.

However, even in the absence of a matching between outcome and policies, dashboard indicators remain useful and are used in the priority selection process. Relatively high levels or increases in such indicators can signal that countries may face a potential weakness in associated areas. When this is the case, country experts can judge the extent to which this can be traced to country-specific policy weaknesses and hence to policy levers.

Principles of the priority-setting process

The priority-setting process can then be summarised as follows:

- Five policy priorities are identified from the combined quantitative matching of performance and policy weaknesses in the growth and equity dimensions with the qualitative assessment by country experts. The relative emphasis put on labour productivity, labour utilisation and inclusiveness in the selection of the five priorities varies across countries and is established with country experts. In doing so, it takes into consideration how distant from good practice a country is in the respective performance and related policy areas as well as country-specific circumstances and expert judgment (see also Box 1.2 in Chapter 1).
- Policy reform complementarities between equity and growth objectives arising from the matching between performance and policy weaknesses are given priority when evidence suggests that such reforms may help address inclusiveness concerns:
  - That is overwhelmingly the case for education reforms aimed at increasing equality of opportunity, especially when the focus is on early childhood. Such reforms are fundamental from an inclusiveness perspective, even though their benefits are likely to materialise over the medium-term and inter-generationally. An example for a country that suffers from low equity in education and/or weak labour market inclusion of women would be to enhance access to quality childcare for children from disadvantaged backgrounds, if childcare facilities are relatively scarce or unaffordable.
  - That is also the case for reforms aimed at reducing the level and duration of unemployment and at enhancing the labour market integration of vulnerable groups. The benefits from these reforms may materialise over a shorter horizon compared to education reforms.[9] An example for a country that suffers from severe youth unemployment would be to improve co-ordination between education and ALMPs and to strengthen apprenticeships and vocational education and training (VET) if spending on such areas is insufficient or inefficient.
- Policy reform packages are designed to mitigate adverse effects arising from potential trade-offs between growth and inclusiveness when evidence suggests that a given pro-growth reform may increase inequality in a country that is already facing challenges in this area:[10]
  - That may for instance occur in the case of tax and transfer reforms, as there may be tensions between raising economic incentives and redistributing income. Examples include pro-growth tax reforms shifting the tax burden from income to consumption, as this may raise inequality in the short run.[11] In this instance, reform packages can be designed to be consistent with equity goals by expanding or introducing well-targeted cash transfers – taking into account growth and redistribution objectives – or

by reducing tax breaks that disproportionately benefit the rich, such as for owner-occupied housing or retirement savings.

- The priority-setting process does not aim at systematically avoiding trade-offs between growth and equity objectives; some trade-offs may remain when, in the judgement of the country experts, the outcome of growth-oriented reforms is deemed to prevail over the outcome of equity-oriented reforms because of country-specific context, including social preferences. In practice, few such trade-offs arise, as discussed below (see also Chapter 1 and Chapter 3). Countries exhibit large room for improving their pro-growth policy stance in an equity-friendly way and concerns about reform-driven inequality increases cannot be used as arguments to hold back on reforms.

The overall distributional effects of some pro-growth reform priorities are sometimes ambiguous and potentially negligible, as their impact may operate through different offsetting channels. As a result, a number of *Going for Growth* priorities cannot be unambiguously classified as inclusive or not. Such is the case of reforms aimed at stimulating innovation and technological progress, including measures to reduce barriers to competition, firm entry and entrepreneurship. Progress along these lines is fundamental to spur productivity growth but may put further pressure on the relative demand for skilled workers through skill-biased technical change, and hence contribute to rising wage inequality among workers. At the same time, insofar as such reforms also contribute to job creation, they are likely to counteract reform-driven increases in wage dispersion, with an overall ambiguous effect on disposable income inequality.[12, 13] Furthermore, and in a longer-term perspective, competition and innovation policies may also contribute to enhance equity, for instance if they lead to a reduction in firms' rents and undermine the market dominance of incumbents, while promoting social mobility (OECD, 2016a). Indeed, recent evidence suggests that intergenerational income mobility increases with the degree of entrepreneurship and innovativeness in the economy (Aghion et al., 2015; 2016).

The approach spelled-out in this section is implemented in the selection of the 2017 *Going for Growth* priorities which are presented in the Country Notes (Chapter 3). This approach will progressively evolve as progress is being achieved in terms of understanding the effects of policy reforms on growth and inclusiveness, and, going further, additional policy objectives such as environmental sustainability will be included.

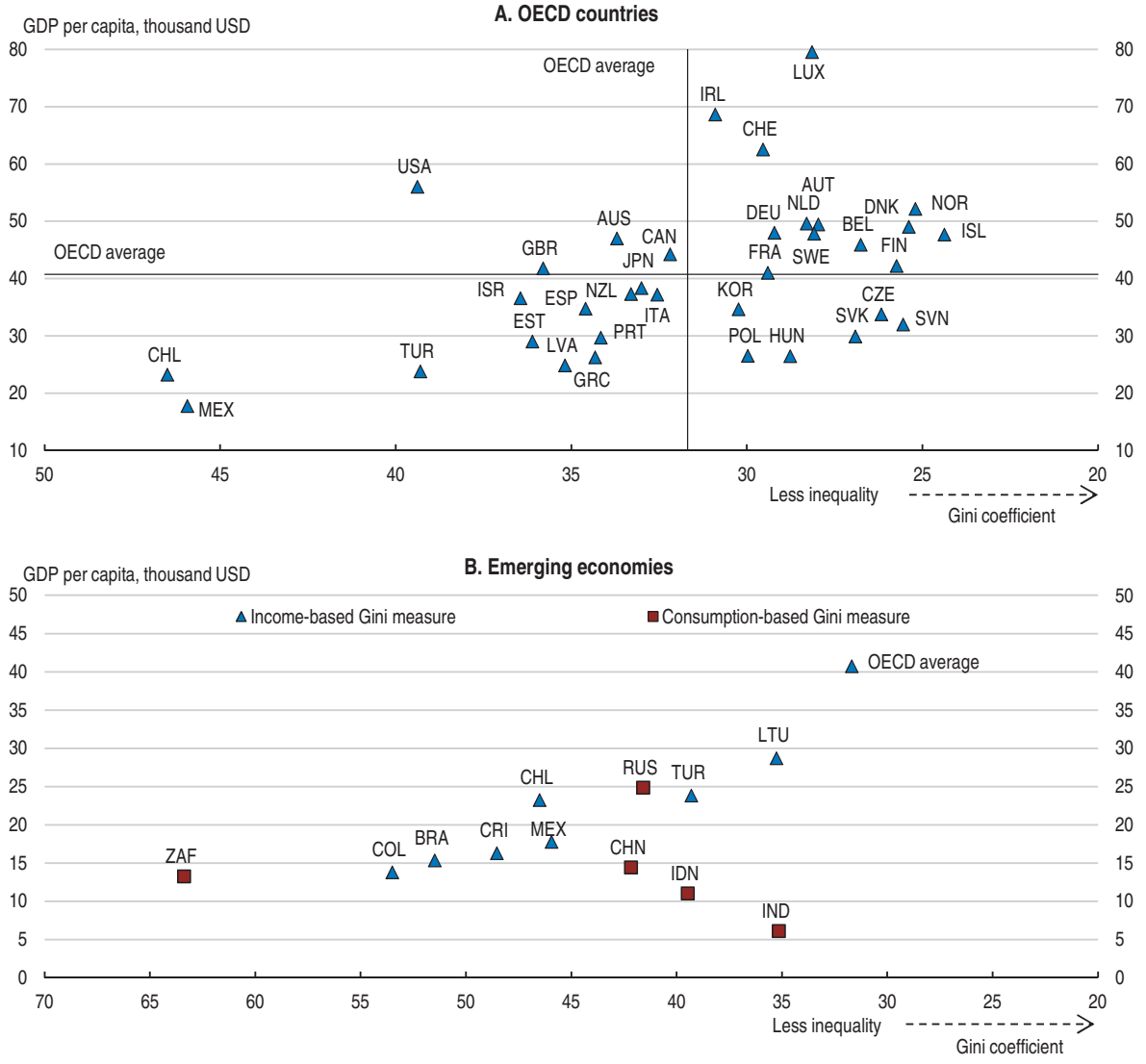
A first look at inclusiveness: cross-country patterns in income distribution

The big picture: income inequality across countries and over time

The integration of inclusiveness in the identification of *Going for Growth* priorities starts with an overview of countries' relative positions in the area of income inequality. This is the fundamental building block of the framework and a key concern among policy makers. The income concept used for this purpose is that of household disposable income for the total population, considered as the best proxy of households' economic resources defined by internationally agreed standards and computable across the income distribution.[14] One widely-used measure of income inequality is the Gini coefficient, owing to its broad availability on a consistent basis across countries.[15] The simultaneous assessment of cross-country differences in income inequality and GDP per capita delivers the following main insights (Figure 2.4):

- While there is no strong link between GDP per capita and income inequality, cross-country patterns related to different social welfare models and development stages

Figure 2.4. **Cross-country differences in household disposable income inequality and GDP per capita**[1]



1. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality. GDP per capita is measured in 2015 purchasing power parities (PPP). Data for Gini coefficients refer to 2011 for India and South Africa; 2012 for China, Japan, New Zealand, and the Russian Federation; 2014 for Australia, Brazil, Colombia, Costa Rica, Finland, Hungary, Israel, Korea, Mexico, the Netherlands, and the United States; and 2013 for the rest. Data for GDP per capita refer to 2015.

Source: OECD, *Income Distribution and National Accounts Databases*; World Bank, *World Development Indicators Database*.

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prevail.[16] In particular, emerging economies all display high inequality in conjunction with low GDP per capita.[17]

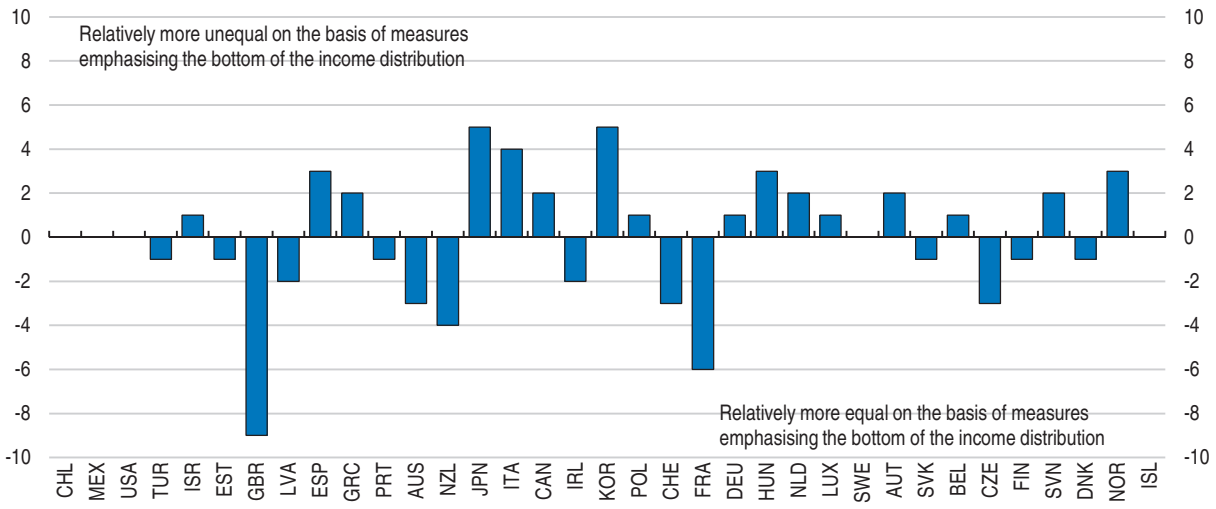
- English-speaking countries, in particular the United States and, to a lesser extent, the United Kingdom and Australia, are among the countries with the highest GDP per capita, but at the same time with the highest inequality. By contrast, Central and Eastern European countries, such as Poland, Slovenia and the Slovak Republic, are characterised by relatively low income inequality and relatively low GDP per capita, reflecting a post-communist transition process.

- Relatively high GDP per capita are accompanied by low income inequality among highly egalitarian Nordic European countries such as Denmark and Norway, but also, to a lesser extent, of some Continental European countries, e.g. Austria and the Netherlands.

Cross-country patterns in income inequality depend on how inequality is measured and in particular on whether the emphasis is on incomes in the middle of the distribution or on incomes in the bottom of the distribution (Figure 2.5):

Figure 2.5. **Cross-country patterns in household disposable income inequality: emphasising the bottom of the income distribution**[1]

Change in cross-country ranking between overall inequality measures of the income distribution and measures emphasising the bottom of the income distribution[2]



1. See note to Figure 2.4 for country and year coverage.
2. Measured by the share of total household disposable income accruing to the bottom 20%. Overall inequality is measured by the Gini coefficient.

Source: OECD, *Income Distribution Database*.

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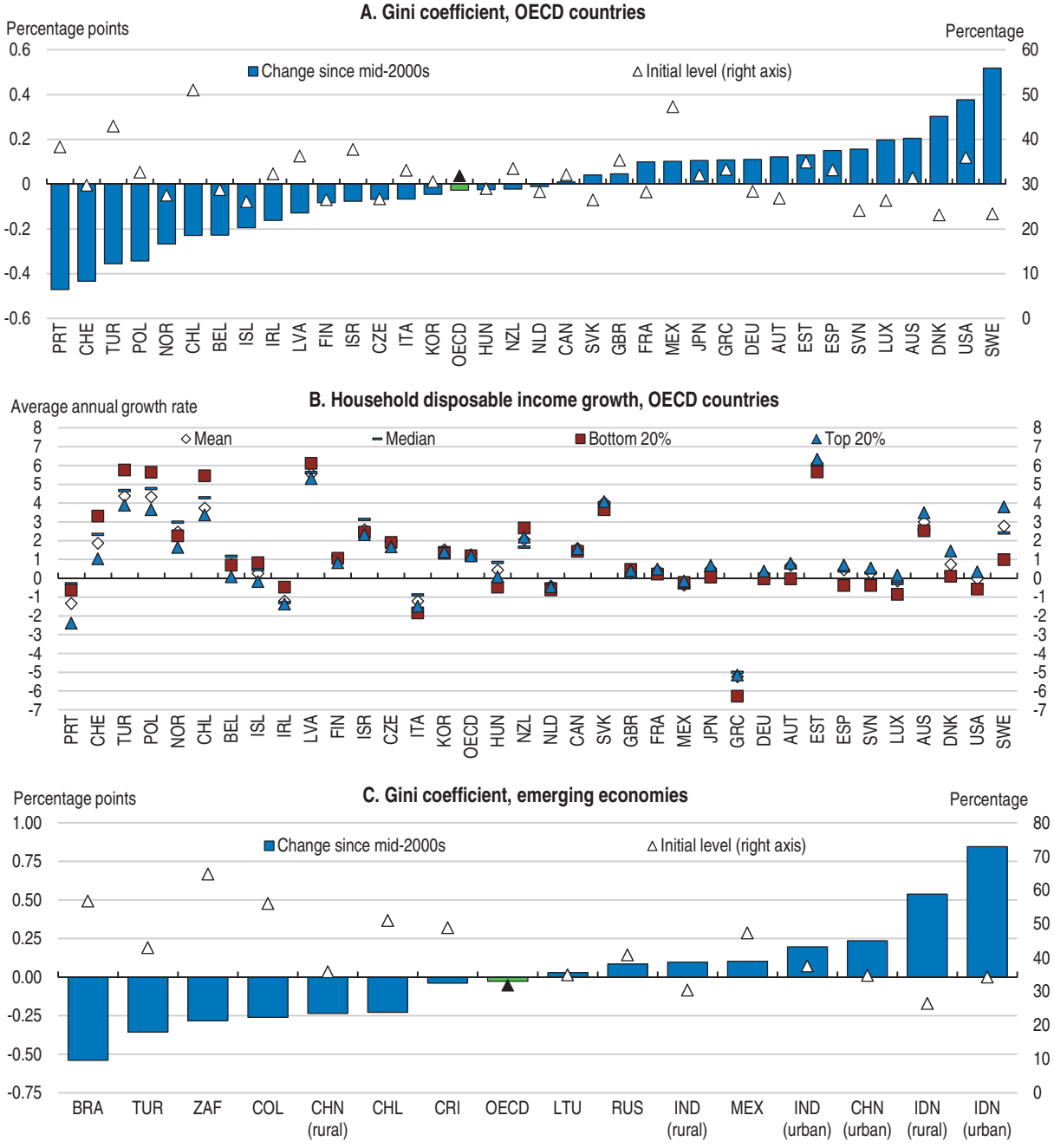
- Korea and Japan are ranked respectively as the 18th and 14th most unequal OECD countries according to the Gini coefficient, but as the 13th and 9th most unequal countries according to the income share accruing to the bottom 20%. This reflects widespread income dispersion at the low end of the distribution and high poverty.[18]
- In the direction of less inequality, the United Kingdom moves 9 places and France moves 6 places in the ranking by emphasising relatively more the bottom of the income distribution, a likely reflection of the emphasis of income redistribution to the low-end of the distribution.
- For most emerging economies, the two measures result in fairly similar rankings.[19] Inequalities in emerging economies are most often driven by regional divides, in particular between rural and urban areas.

Since the mid-2000s, overall income inequality, as measured by the Gini coefficient after taxes and transfers, has been stable on average across the OECD and has decreased in around half of the emerging economies covered in this paper (Figure 2.6).[20] Countries have experienced different distributional developments, in part reflecting differences in the depth of the crisis, as well as differences in the sources of changing income inequality:

- In 7 OECD countries, the Gini coefficient decreased and in 5 countries it increased by more than 0.2 percentage points per year, while most countries in-between these two groups

Figure 2.6. **Household disposable income inequality developments across countries since mid-2000s**

Average annual change from mid-2000s to latest year[1]



1. For Panel A and B data refer to 2003-12 for Japan and New Zealand; 2004-14 for Australia, Finland, Mexico, and the United States; 2005-13 for Denmark and Poland; 2005-14 for Hungary, Israel, and the Netherlands; 2006-13 for Chile; 2006-14 for Korea; 2009-12 for Switzerland; and 2004-13 for the rest. A break in the series in 2011-12 for most countries is accounted for by computing the total change as the sum of the change before and after the break, using a year for which the two series overlap. For Panel B household disposable incomes have been deflated by the consumer price index. For Panel C data refer to 2004-11 for India; 2004-12 for the Russian Federation; 2004-13 for Lithuania and Turkey; 2005-13 for China; 2006-11 for South Africa; 2006-13 for Chile; and 2004-14 for the rest. Income inequality measures are based on consumption for some emerging economies, see Figure 2.4, Panel B.

Source: OECD, *Income Distribution Database*; World Bank, PovcalNet.

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experienced relatively little change in the Gini coefficient (Figure 2.6, Panel A). Among advanced OECD countries, the most populated ones, in particular the United States, experienced increases in inequality, while mainly the least populated ones experienced decreases, with Portugal and Switzerland exhibiting the largest decline in the Gini coefficient. This may explain the popular perception of a widespread rise in income inequality among advanced countries, insofar as a majority of citizens live in inequality-increasing countries.[21]

- In most countries where inequality declined, such as in Turkey and Poland, this reflected real disposable incomes growing across the whole distribution but relatively more among less affluent than more affluent households (Figure 2.6, Panel B). Portugal stands out as having experienced the strongest decline in the Gini coefficient yet this reflected real disposable incomes declining across the entire income distribution but relatively more at its high end.
- In some countries where inequality increased, such as Slovenia and Spain, this reflected real disposable incomes declining among poor households and rising among middle class and more affluent households; while in the United States it reflected real disposable incomes declining among all income groups except the most affluent households (Figure 2.6, Panel B). Greece stands out as rising inequality reflected real disposable incomes declining across the entire income distribution but relatively more at its low end.
- Emerging economies experienced heterogeneous distributional developments, both between countries as well as within countries, that is, between rural and urban areas (Figure 2.6, Panel C). Inequality declined by more than 0.5 percentage points per year in Brazil while it increased by more than 0.5 percentage points per year in Indonesia, especially in urban areas. The People's republic of China, (hereafter 'China'), also experienced a rise in urban inequality while rural inequality declined.
- Cross-country patterns indicate some degree of "convergence" in income inequality: inequality tended to decrease (increase) in countries with relatively high (low) initial inequality (Figure 2.6, Panel A and C).[22]

The profile of income inequality, poverty and its potential impact on the growth process

A broad overview of poverty developments since the mid-2000s shows that in the majority of advanced countries vulnerable households have experienced increased income hardship. The risk of falling below the relative poverty threshold of 50% of median disposable income has increased in 2 out of 3 OECD countries and in more than half of OECD countries, those that are poor have been falling behind relative to the poverty threshold (Figure 2.7, Panel A),[23] which signals rising inequality at the low end of the distribution. To a large extent, this situation reflects crisis-driven falls in market incomes, for instance in those countries having experienced strong rises in unemployment. However, rising poverty rates and gaps also took place in countries that were relatively less hit by the crisis and where employment has been growing for several years now, such as Sweden and Hungary.

Increased income hardship among the poor may also signal some weakening of the welfare state, i.e. that public redistribution through taxes and cash transfers did less to counteract the rise in market-driven economic vulnerability. This is likely to reflect the lower effectiveness of tax and transfers in reducing income inequality which has been observed over the second phase of the crisis, as governments introduced fiscal consolidation programmes and phased-out fiscal benefits granted to households over the first phase of the

crisis (OECD, 2015b, Chapter 3). The bottom line is that in many advanced countries poorest households have been increasingly falling behind the rest of society, to a large extent reflecting adverse developments in market incomes at the bottom of the distribution, in particular over the crisis period; but also, over the most recent period, a weakening of governments' income redistribution.

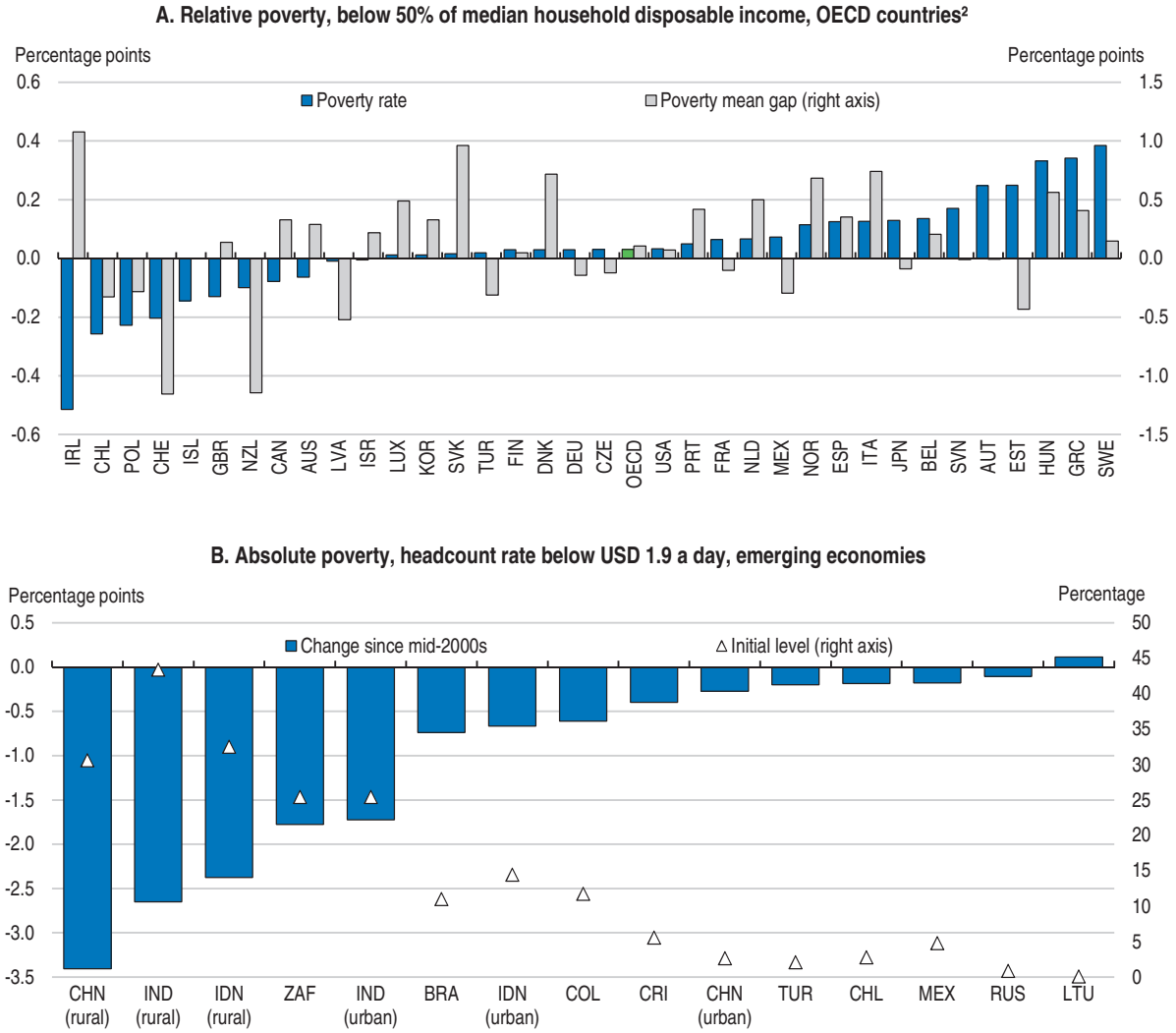
Rising inequalities at the bottom of the income distribution is not only a matter of concern from an inclusiveness perspective, but also from a growth perspective. Indeed, theory and empirical evidence suggests that inequality in the bottom of the distribution and poverty have a detrimental impact on economic growth. From a theoretical perspective, under-investment in human capital by the poorest of society in the presence of financial market imperfections results in low intergenerational social mobility due to talent misallocation; hence ultimately lower efficiency and aggregate output.[24] From an empirical perspective, evidence shows that the *profile* of income inequality matters for economic growth. Voitchovsky (2005) finds that while income inequality in the bottom of the distribution harms growth, income inequality in the top of the income distribution has the opposite effect.[25]

Recent work by Aghion et al. (2015) goes further and provides some support to the Schumpeterian view whereby the rise in top income shares is partly related to innovation-led growth, where innovation itself fosters social mobility at the top through creative destruction. This does not imply that the surge in top incomes documented over the last decades (Piketty, 2013; Ruiz and Woloszko, 2015) should not be a case for policy concern. The point is that high inequality in the top of the income distribution may be less of a concern if it is the reflection of social mobility across generations, whereas it should be both an equity and an efficiency concern if it is the reflection of rent-seeking behaviour and cronyism. From a policy perspective, when rents reflect policy distortions that allow high-performing incumbent firms to erect artificial barriers to competition, reforms aimed at reassessing competition at the top of the productivity distribution may be desirable on both growth and equity grounds.

The case for focusing policy design and action on enhancing outcomes and opportunities among the poorest households is even stronger for emerging economies because these countries have not yet eradicated absolute poverty. Considerable progress has been achieved in this area, one of the key objectives of the Millennium Development Goals (MDGs), still in some countries absolute poverty remains prevalent, especially in rural areas; for instance around a quarter of Indian rural population lives below the poverty line (Figure 2.7, Panel B). In turn, the detrimental effect of poverty on economic growth and the development process for emerging economies has been widely documented and discussed (e.g. Ravallion, 2012). Underlying mechanisms reflect not only the human capital channel but also other deprivation-related channels such as the detrimental impact of poor nutritional status on productivity. While absolute poverty is being reduced in emerging economies, inequalities are sometimes increasing at the same time or not being reduced at a significant pace (see Figure 2.6 and Table 2.A1.2). Under current relatively weak growth rates compared to previous decades, a more rapid decline in inequality is needed to reach the poverty-reduction goal by 2030 (World Bank, 2016). Achieving shared prosperity is also needed to sustain the ongoing development of a middle class in emerging economies, which is key to foster growth and economic stability.

Figure 2.7. **Poverty developments since mid-2000s**[1]

Average annual change from mid-2000s to latest year



1. Relative poverty is defined as the share of individuals with equivalised disposable income less than 50% of the median for the entire population. The poverty gap is the distance between the poverty threshold and the mean income of the poor, expressed as a percentage of the poverty threshold.
2. For Panel A see note to Figure 2.4 for time coverage. For Panel B data refer to 2003-13 for Chile; 2004-2011 for India; 2004-12 for Lithuania and the Russian Federation; 2004-13 for Turkey; 2005-13 for China; 2006-11 for South Africa; and 2004-14 for the rest.

Source: OECD, *Income Distribution Database*; World Bank, PovcalNet.

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The challenge of raising outcomes and opportunities among the most vulnerable households requires differential approaches, first of all between advanced and emerging economies but also depending on country-specific circumstances. For example among advanced countries, both poverty and inequality at the bottom of the income distribution have increased substantially in Sweden, albeit from a relatively low level, while GDP per capita and average household income were growing. Poverty and inequality also rose in Greece, already from a relatively high level, while GDP per capita and average household income have collapsed during the crisis. Therefore, policy reform strategies differ across countries, depending on countries' starting point and the drivers of distributional changes, but also on social preferences and their evolution over time (for instance adverse

distributional changes can reflect policy choices, e.g. countries starting with low inequality may increasingly tolerate rising inequality when the growth objective prevails the equity objective; see next section).

Going beyond income distribution: inclusiveness challenges and potential policy remedies

While using measures of income inequality and poverty provides a sense of the magnitude of the inclusiveness challenge in individual countries, the selection of policy priorities is based on an analysis of performance along various dimensions of inclusiveness, going beyond income distribution. The broad outcome of this exercise is outlined in this section. The discussion emphasises the various challenges that countries face in making growth more inclusive. A complete and detailed assessment of the whole set of policy priorities and underlying recommendations for each country is found in Chapter 3.

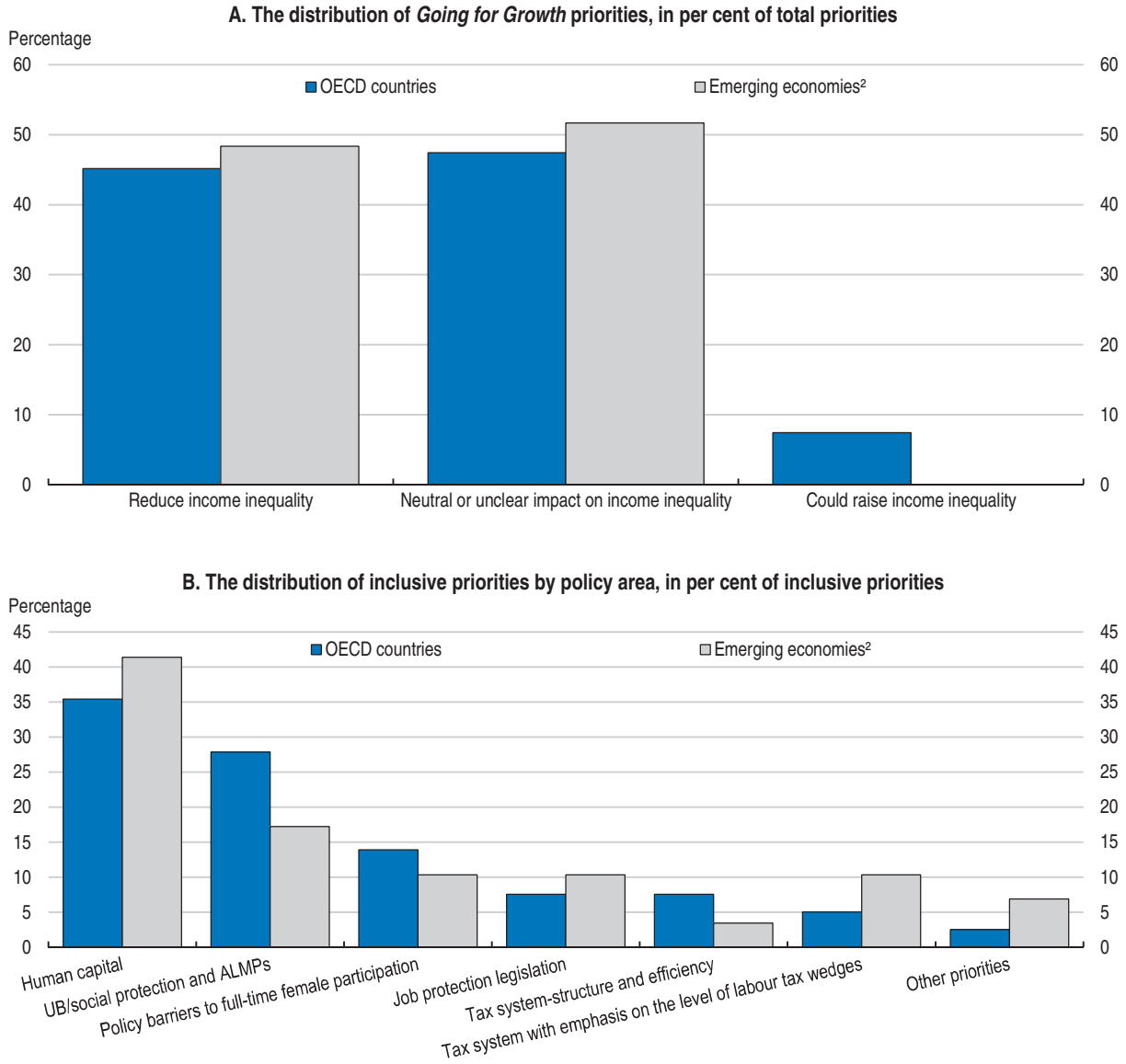
Overall, almost half of *Going for Growth* priorities are inclusive in the sense that those would reduce income inequality (Figure 2.8, Panel A). That includes foremost human capital priorities (Figure 2.8, Panel B), i.e. policies that improve people's access to education and training. Associated recommendations are frequent among both advanced and emerging economies. Inclusive priorities in the area of social benefits and ALMPs are also predominant, especially among OECD countries (Figure 2.8, Panel B). Associated reforms would allow for addressing labour market insecurity from unemployment and inadequate social safety nets, especially among vulnerable groups. Likewise, priorities to reform job protection legislation are considered to be inclusive when the objective is to reduce labour market dualism and/or informality.[26]

Making growth more inclusive may in principle involve policy trade-offs, which may not be systematically avoided. In practice, however, across OECD countries less than one tenth of *Going for Growth* priorities – those identified through the combined quantitative and qualitative (i.e. based on country expertise) assessment – are classified as having clear adverse equity implications because they could increase income inequality (Figure 2.8, Panel A). Trade-offs may arise in the case of some tax and benefit reforms, such as shifting from direct to indirect taxes or reducing marginal income tax rates. The few recommendations in this area are to be found among advanced economies only, and only among countries with income inequality below the OECD average (see Chapter 1).

Finally, almost half of priorities have neutral or uncertain inclusiveness implications (Figure 2.8, Panel A). This is the case when robust empirical evidence on their income inequality impact is lacking or relatively limited, or when the impact is highly dependent on reform design. One example is product market reforms, which have been found to increase both employment and wage dispersion so that the overall effect on household disposable income inequality is ambiguous. Associated recommendations are frequent among both advanced and emerging economies (see Chapter 3), as reducing barriers to competition is one key policy lever to boost growth with gains materialising relatively quickly. The equity effects of product market reforms are also likely to depend on reform design as well as on time horizon.[27] For example as emphasised earlier, boosting competition with a view to reducing incumbent firms' rent-seeking behaviour is likely to meet productivity and equity goals in a long-run perspective.[28]

Against this background, *Going for Growth* focuses on the following major policy areas where actions have the largest scope to make growth more inclusive:

Figure 2.8. ***Going for Growth* priorities along their inclusiveness dimension**[1]



1. *Going for Growth* priorities are considered as inclusive when associated recommendations are likely to reduce income inequality. They are considered as neutral in terms of inclusiveness when their impact on income inequality is either unknown or null. Finally, priorities are considered as adverse for inclusiveness when associated recommendations may trigger an increase in income inequality. See text and also Chapter 1.
2. Emerging economies include non-OECD countries (Argentina, Brazil, China, Colombia, Costa Rica, India, Indonesia, Lithuania and South Africa) along with Chile, Mexico and Turkey.

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- *Education policies*: focusing on the early years, on the needs of families with school children, and on providing youth with the skills they need to get a good start in the labour market;
- *Skills and training*: encouraging a continuous up-grading of skills during the working life in order to adapt to a rapidly evolving economy;
- *Labour market policies*: promoting access to jobs (and job formalisation for emerging economies) as well as labour market integration of under-represented groups in order to raise job quantity and quality;

- *Tax and transfer systems:*[29] designing taxes and transfers to achieve growth-friendly and cost-effective redistribution, that is to contain inequality without undermining incentives to work and invest, including through in-kind public transfers (e.g. public provision of health and education services).

The discussion in this section is structured on the basis of common inclusiveness challenges that countries can address with a relevant package of policy reforms in the above identified areas. It focuses on three broad challenges: i) skills and equity in education, ii) labour market insecurity and segmentation and, iii) the gender gap and women's integration in economic activities. Such challenges are not meant to be exhaustive, which largely reflects the granularity of countries' situations. Associated policy reform recommendations are detailed in the country notes (see Chapter 3).

Skills and equity in education

Improving outcomes and equity in education and skills is fundamental to boost growth and make it more inclusive. Education shapes each individual's life chances and is closely related to skills and training which in turn determines people's ability to earn a decent living. Progress in this area can make growth more inclusive through a number of channels, in particular by:

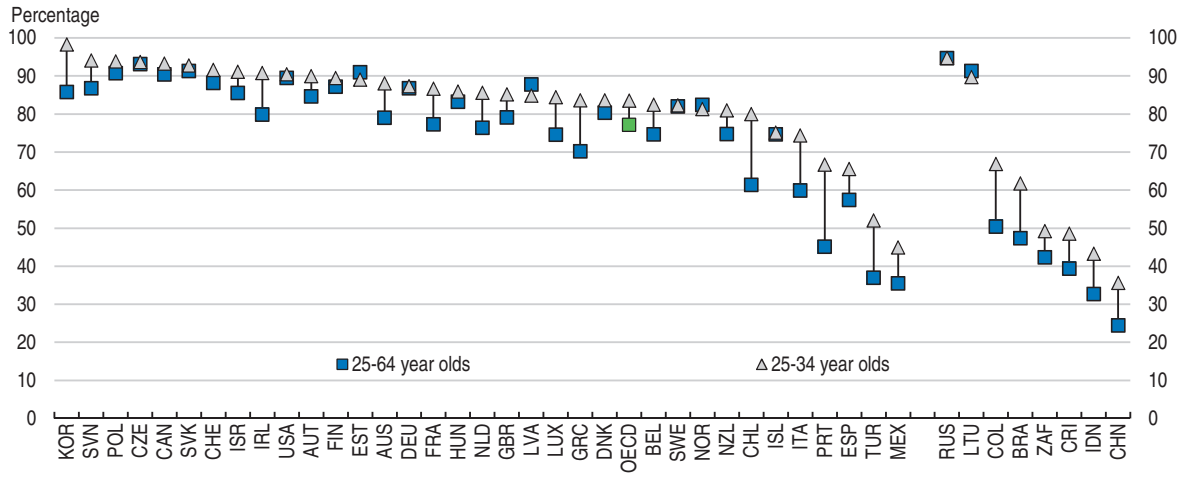
- Enhancing equality of opportunities hence intergenerational social mobility, which in turn improves the allocation of talents and human capital and ultimately economic growth;
- Enhancing employment prospects, including chances of formal employment in emerging economies, and securing adaptability of the workforce to changing demand for skills, all of which are important prerequisites for economic growth;
- Broadening the base for productivity growth to make it more inclusive and ensure that it benefits wider parts of society. In this respect, education and training are key remedies to combat the twin challenge of slowing productivity growth and rising inequality faced by many OECD countries (OECD, 2016a; 2016b);
- Contributing to greater well-being through several non-income dimensions, many of which features in the OECD *Better Life Index* (OECD, 2015d). For instance, life expectancy tends to be closely related to educational level (OECD, 2015e) and education has been found to have favourable effects on health status, crime and civic engagement.[30]

Education has a special policy traction for emerging economies to achieve convergence in living standards vis-à-vis advanced economies, while ensuring that growth dividends contribute to the expansion of the middle class. The share of the population with at least upper-secondary education is still well below the OECD average in most emerging economies (Figure 2.9), even though substantial improvements have taken place. For instance in Latin American countries, the share of 25-34 year-olds with at least upper-secondary education exceeds the share for the total population by 10-20 percentage points.

Educational inequalities are deeply related to regional inequalities, notably in China and India, reflecting inequalities of opportunities in access to education (as well as other public services such as healthcare) between rural and urban areas. Educational inequalities are also related to gender inequalities, for instance in terms of secondary education enrolment gaps. Equal access to education in emerging economies is still hampered by financial constraints as well as lack of infrastructure. However, the critical obstacle to catch-up with respect to high-income countries, both in terms of growth and equity, is in most cases the low quality

Figure 2.9. **Share of population that has attained at least upper secondary education**[1]

2015



1. Data refer to 2010 for China; 2013 for Indonesia and the Russian Federation; 2014 for Brazil and South Africa.
Source: OECD, *Education at a Glance 2016: OECD Indicators.*

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of schooling.[31] As a result, educational outcomes are far below the OECD average and strongly linked to socio-economic background (OECD, 2012a).

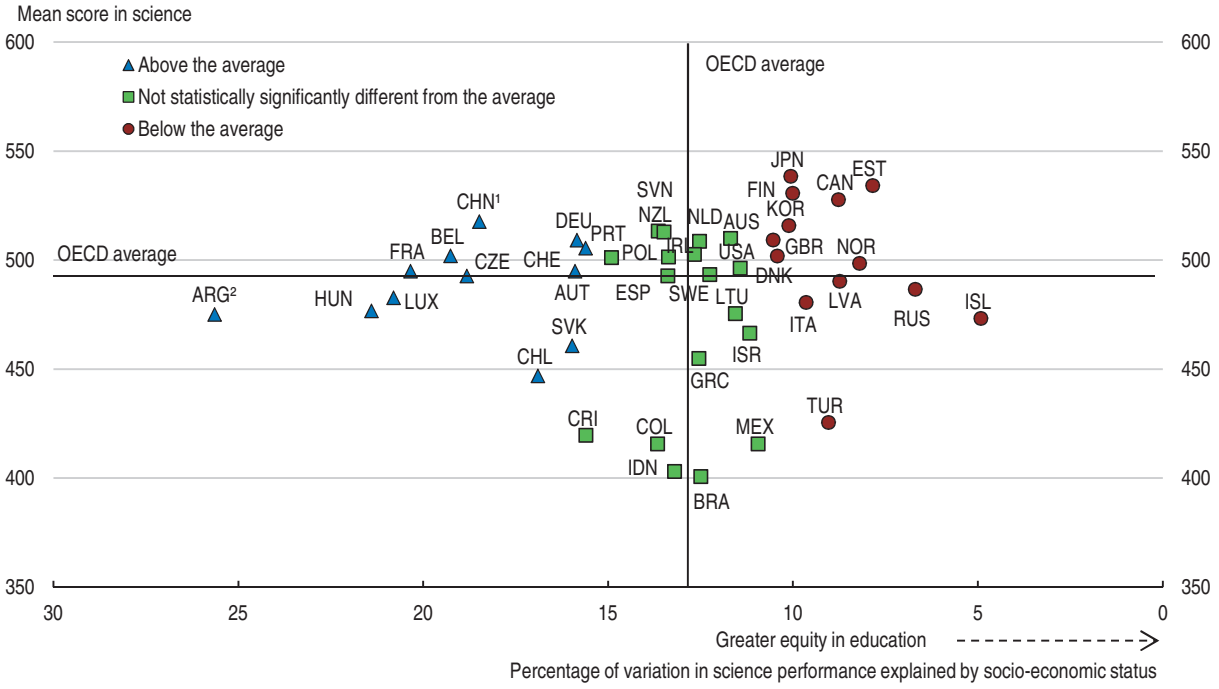
Educational inequalities start early and disadvantages cumulate over the lifecycle. Children of parents with high education levels and high incomes generally have a much higher chance of performing well compared to children from more disadvantaged families.[32] Neighbourhood effects, socio-economic segregation across schools and unequal access to quality teaching by students who would gain most from it have also been found to have a significant impact on educational opportunities, hence on social mobility.[33] The strong impact of social background on students' outcomes is evident in results from PISA, not only the impact of own social background on individual outcomes, but also the impact of school social background (that is, the average social background of students within a given school) on individual outcomes. These effects are exacerbated for children of migrants, which tend to be socio-economically disadvantaged and display a large performance gap with respect to non-immigrant students (OECD, 2013a).

The case for enhancing equity in education is strong and widespread, but the estimated relationship between students' performance and socio-economic background varies substantially across countries and some, such as Estonia and Japan, combine strong performance in science with strong equity (Figure 2.10). This suggests that some countries and some education systems do a better job of minimising the impact of social differences in education; which does not come at the expense of lower overall performance, quite the contrary if anything.

Inequality in skills translates into inequality in incomes, starting with market incomes. Wage dispersion has been a strong driver of rising inequality over the last decades. This has been notably driven by skill-biased technological change while upskilling has had a mitigating effect. Recent evidence points to increased computerisation of routine tasks contributing to the erosion of many middle-income jobs hence to the rise in job polarisation.[34] In this context, the types of skills workers acquire and their proficiency in these skills have become at least as important as their formal level of education. Differences

Figure 2.10. **Equity and performance: cross-country patterns**

Strength of the relationship between performance in science and socio-economic status, 2015



1. Data refer to the four PISA participating Chinese provinces: Beijing, Shanghai, Jiangsu and Guangdong.
2. Data refer to the region of Ciudad Autonoma de Buenos Aires. Coverage is too small to ensure comparability (see Annex A4 of PISA 2015 Results, Volume I: Excellence and Equity in Education).

Source: OECD (2016), *PISA 2015 Results (Volume I): Excellence and Equity in Education.*

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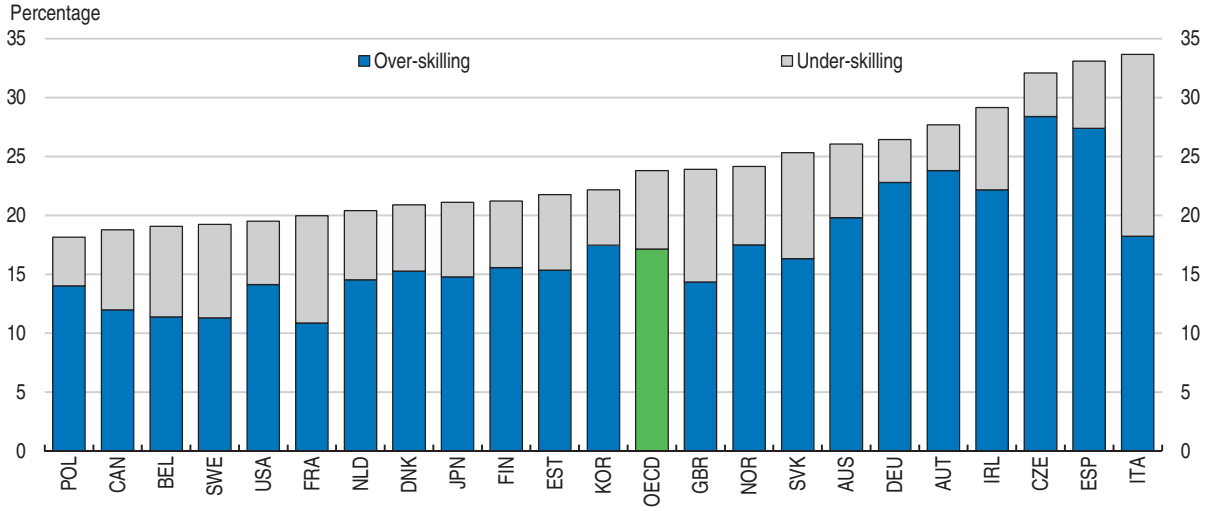
in skills have for instance been found to account for a substantial part of the wage gap between native and foreign-born workers and around one-fifth of the wage gap between men and women (OECD, 2015c, Chapter 2).

Mismatches between the qualifications and skills of workers and demands of employers prevail in many OECD countries (Figure 2.11), with over-skilling, and thus earnings below potential, being the main issue (Adalet McGowan and Andrews, 2015). Skill mismatches are widespread in countries such as Italy, Spain and the Czech Republic, while in other countries such as France and the United Kingdom under skilling is a particular challenge. Recent evidence suggests that wage inequality is lower in countries that are better at meeting the demand for skills, especially in the upper half of the wage distributions (OECD, 2015c, Chapter 2). More efficient allocation of labour resources may thus both raise labour productivity and reduce earnings inequality.

Enhancing equity in education and skills requires reforms in a broad range of policy areas, from pre-school to university, as well as school-to-work transition, training and life-long learning. In this respect, investing in early childhood education and care has been shown to yield some of the largest returns because a person can build on the acquired learning as input in later education stages, resulting in a process of dynamic synergies.[35] Returns from early intervention are particularly high for children from disadvantaged backgrounds, including children of migrants and refugees with language difficulties. Access to affordable childcare and pre-schools are thus strong instruments to ensure equity in compulsory education.

Figure 2.11. **Incidence of skill mismatch**

Percentage of workers with skill mismatch[1]



1. Based on OECD calculations using *OECD Survey of Adult Skills* (2012). The OECD average is the unweighted average for available countries.
Source: Adalet McGowan, M. and D. Andrews (2015), "Skill Mismatch and Public Policy in OECD Countries", *OECD Economics Department Working Papers*, No. 1210.

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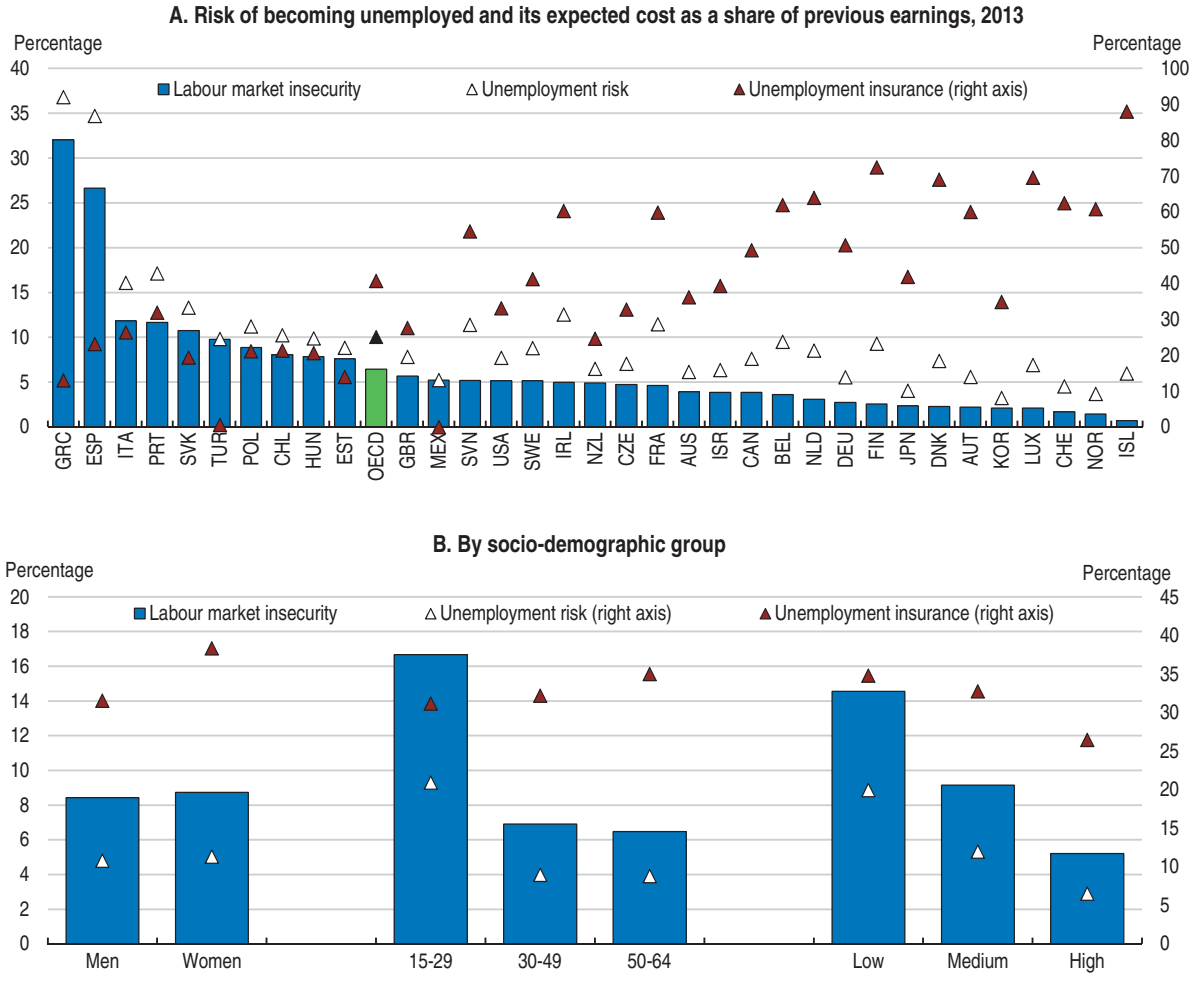
Striving for equity in higher education is less obvious. Publicly-financed access to higher education (either direct or via subsidies, including via student grants) may overcome credit constraints and favour equality of opportunity. At the same time, tertiary graduation is an investment in human capital, which paves the way for a relatively high lifetime income, thereby weakening the equity argument for tax-financed higher educational services (to the extent that part of the funding comes from lower educated individuals who do not benefit from associated services).[36] From a policy perspective, tuition fees combined with financial support (i.e. mean-tested grants and income-contingent payback loans) for students from least well-off families are considered to achieve the best balance between growth and equity objectives (Wössmann, 2008).

While the potential returns from educational and skill reforms are large, their effects are likely to take time to materialise. Raising the level of educational attainment in the workforce takes time and higher social mobility takes at least a generation for the full effects to unfold. However, the case for emphasising education and skill reforms remains very strong. Progress in this area is a form of *ex ante* redistribution because it improves equality in market incomes. This may reduce the need and scope for governments' *ex post* redistribution, that is, through taxes and transfers.[37] Provision of public education can in this respect be considered as a more active approach to redistribution, taking into account equity and efficiency considerations.[38]

Labour market insecurity and segmentation

Labour market insecurity has special policy traction from an inclusive growth perspective because it is broadly defined, encompassing both job quantity and job quality. Labour market insecurity captures those aspects of economic insecurity that are related to the probability of job loss (unemployment risk), the duration of unemployment and the economic cost for workers (unemployment insurance, Figure 2.12, Panel A).[39] Youth and the low-skilled face considerably higher labour market insecurity than other socio-demographic

Figure 2.12. **Labour market insecurity in OECD countries**[1]



1. Labour market insecurity (%) is defined in terms of the expected earnings loss associated with unemployment. This loss depends on the risk of becoming unemployed, the expected duration of unemployment and the degree of mitigation against these losses provided by government transfers to the unemployed (effective insurance). Unemployment risk (%) is measured as the monthly unemployment inflow probability times the expected average duration of unemployment spells (in months). Unemployment inflow probability is the ratio of unemployed persons who have been unemployed for less than one month over the number of employed persons one month before. Unemployment insurance (%) is defined as the coverage rate of unemployment insurance (UI) times its average net replacement rate among UI recipients plus the coverage rate of unemployment assistance (UA) times its net average replacement rate among UA recipients. The average replacement rates for recipients of UI and UA take account of family benefits, social assistance and housing benefits. In Panel A the data for Chile refer to 2011 instead of 2013.

Source: OECD, *Job Quality Database*.

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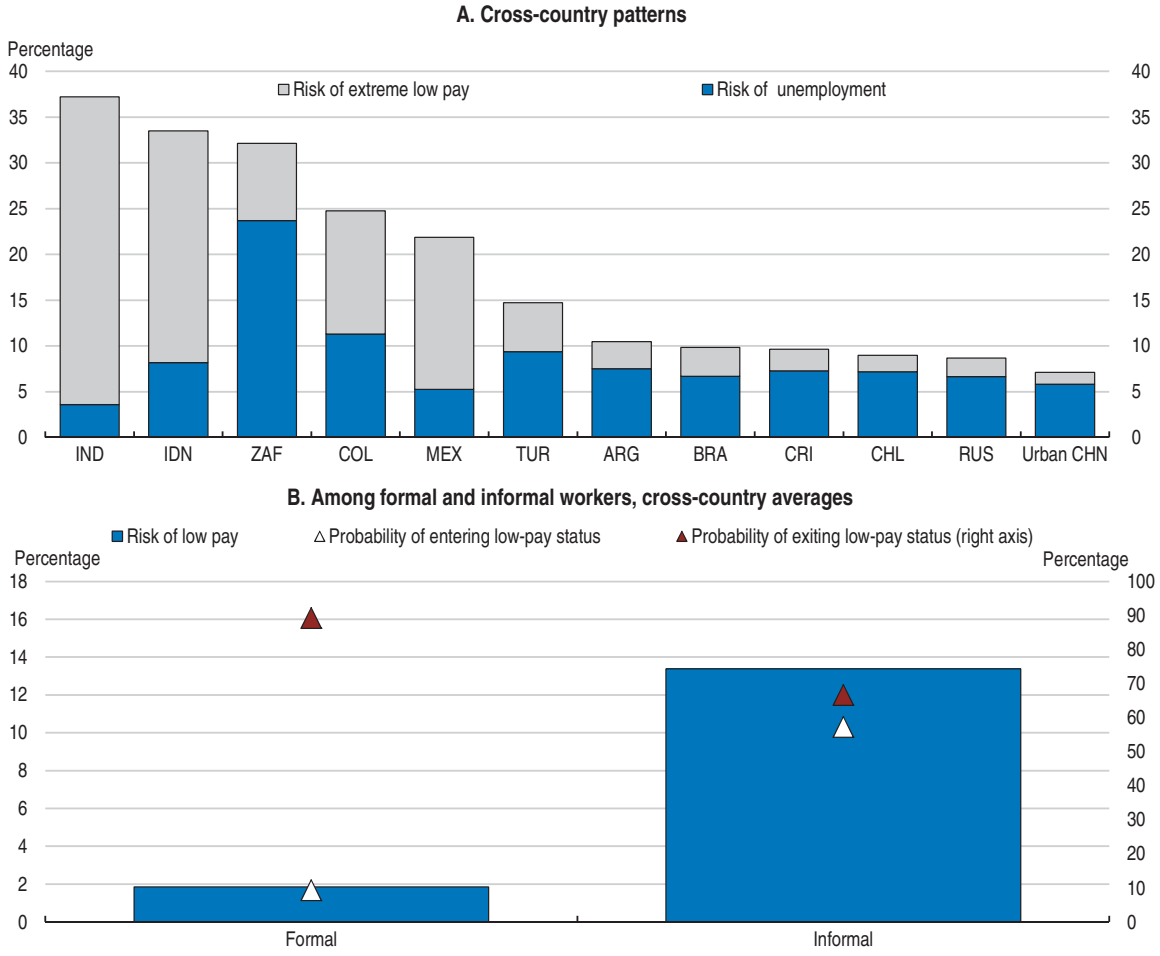
groups (Figure 2.12, Panel B), in addition to having the poorest performance in terms of employment and unemployment. This reflects to a large extent their overrepresentation among non-regular employees, facing higher risk of job loss and less social protection in the event of job loss (OECD, 2014b, Chapter 4). Moreover, evidence suggests that non-regular contracts are rarely a stepping stone into stable employment and therefore that associated inequalities relative to regular contracts tend to persist over time. Labour market insecurity and labour market segmentation are therefore closely linked, by affecting disproportionality certain categories of workers.

In emerging economies, labour market insecurity also covers informality and the risk of extreme low pay. In most of these countries, the main challenge is not a lack of jobs since

open unemployment tends to be relatively low. High levels of labour market insecurity are generally driven by high risks of extreme low pay, rather than by high unemployment, with the exception of South Africa (Figure 2.13, Panel A). Such risk is concentrated among informal workers, as evidence suggests that informality is hard to escape and starting a career with an informal job may have negative consequences for future labour market prospects (Figure 2.13, Panel B).

Figure 2.13. **Labour market insecurity in emerging economies**[1]



1. In the first Panel, overall labour market insecurity is calculated as insecurity from unemployment plus the insecurity from extreme low pay if employed. The divide between formal and informal status is based on social security payments (employees) and business registration (self-employed), except for Colombia and the Russian Federation where information on work contract (written or not) was used.

Source: OECD (2015), *OECD Employment Outlook 2015*.

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Reducing labour market insecurity and its disproportionate incidence on youth, low-skilled and informal workers has the potential to boost growth by enhancing labour market reallocation and can make growth more inclusive through several channels, in particular by:

- Reducing unemployment incidence and duration, hence income inequality between workers and non-workers;
- Reducing labour market dualism, hence unequal access to social protection and training between regular (formal) and non-regular (informal) workers, and therefore earnings as well as disposable income inequality;

- Enhancing career prospects over the lifecycle, hence reducing inequality from a dynamic perspective and spurring social mobility.

Reducing labour market insecurity would not only promote growth and make it more inclusive but also, going beyond, improve well-being. Indeed, new evidence suggests that the well-documented detrimental effect of unemployment on individual well-being is to a large extent a reflection of the risk of staying unemployed for a prolonged period of time (Hijzen and Menyhert, 2016). This implies that policy makers should focus not only on reducing the level of unemployment but also on speeding up the return to work, providing thus an additional rationale for combating long-term unemployment in countries where its incidence is relatively high, such as in Continental and Southern European, as well as in countries where it has increased significantly, such as the United States.

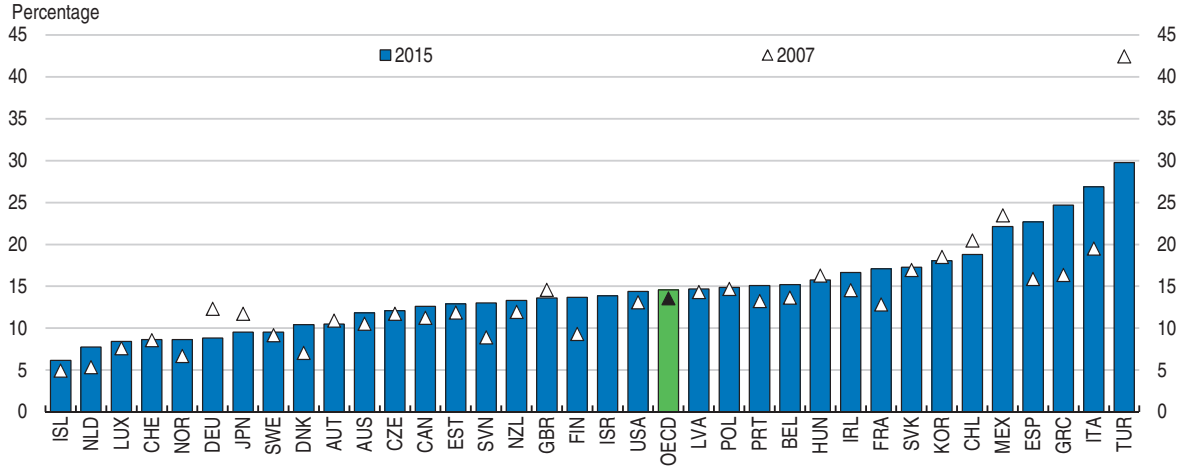
From an inclusiveness perspective, addressing labour market insecurity is a particularly pressing challenge in the case of European Mediterranean countries (Greece, Italy, Portugal and Spain, Figure 2.12), reflecting its high level and adverse trend, exacerbating the risk of social exclusion today and potentially weighing on equity and growth outcomes tomorrow. These countries were hard hit by the crisis. The recession and slow recovery have contributed to increase poverty risk and depth (Figure 2.7), both of which were already comparatively high before the crisis. Among vulnerable groups, youth stand out as having borne a disproportionate share of the burden of high joblessness since 2007. Youth unemployment has been falling since the recovery but in European Mediterranean countries it remains extremely high, above 30% (OECD, 2016d, Chapter 1). The exclusion of youth from the labour market undermines long-run growth through skills erosion and reduces the prospect of career building and social mobility, with the risk of a further widening of inequality.

The broad picture of youth vulnerability is reinforced by looking at NEET status which is more closely connected to the risk of long-run marginalisation in the labour market than youth unemployment. Again, in European Mediterranean countries hit hardest by the crisis a particularly high and rising share of young people is NEET, but the challenge goes well beyond this group of countries. High NEET levels are also observed in some of the countries enjoying among the highest educational outcomes in the OECD such as Korea and France (Figure 2.14). Recent analysis shows that slightly more than one-third of 15-29 year-old NEETs live in a jobless household, across OECD countries for which data are available. This share rises to 44% for low-skilled NEETs, suggesting that many in this group experience both low current incomes and high risk of poverty in the short-run as well as limited career opportunities in the long run. The United Kingdom exhibits the highest share of low-skilled NEET living in a jobless household, i.e. 60%, compared to less than 10% of other youth. For this generation, the longer the time that is spent out of work and out of training, the higher the risk of potential long-term and long-lasting negative effects on labour market outcomes and, more broadly, higher risks of social exclusion.[40]

Achieving a balanced approach between, on the one hand, boosting job quantity and quality by raising labour supply and demand incentives and, on the other hand, ensuring income adequacy across individuals and throughout the lifecycle, requires policy reforms in a number of areas – as widely documented over the years in the vast policy-oriented research on labour markets and social policies – such as:[41] i) labour market policies, including job protection legislation, ALMPs and minimum wages; ii) skills and training policies, including VET and apprenticeships systems; iii) taxes and transfers, including employment-related, universal and means-tested social transfers, as well as labour tax wedges at low incomes with an increasing emphasis on earned income tax credits (EITC).

Figure 2.14. **Share of individuals aged 15-29 that are not in employment, nor in education and training (NEET)**

Percentage of youth aged 15-29[1]



1. For 2007, data is not available for Israel; 2006 for Chile. The last available year is 2013 for Chile and Korea and 2014 for Israel.
Source: OECD (2016), *OECD Employment Outlook 2016*.

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In the pursuit of labour market inclusiveness, governments need to enhance migrants' integration in the labour market. Labour market integration is key to achieve migrants' integration in society at large and would help reducing their high and rising poverty risks.[42] In this respect, lowering barriers to "employability" is essential for migrants' ability to get a regular job, which requires better recognition of skills acquired abroad and expansion of language courses; as well as ALMPs and coaching to address potential information hurdles beyond language barriers. Achieving progress in this area is becoming all the more pressing in light of recent and future trends in migrants' inflows, especially in the context of the refugee crisis in Europe (European Commission, 2016).

Addressing labour market insecurity is a challenge for all emerging economies and this requires reducing informality, given the strong association between informality and labour market insecurity. Beyond such broad challenge, the situation differs greatly across countries, not only reflecting the incidence but also the nature of informal work. One worrying fact is that countries exhibiting the highest share of informal workers, e.g. Indonesia, India, and Mexico, have not registered much improvement over the latest period, based on available estimates (OECD, 2015c, Chapter 5). Still, despite the progress achieved in a number of other emerging economies, more needs to be done to reduce informality. Countries share a common set of broad reform recommendations in this area, in particular developing adequate and effective social protection systems as well as ALMPs, simplifying and enhancing the effectiveness of labour market regulations and institutions (including their enforcement), and reducing the costs of formalisation for firms, i.e. low-skilled employment costs and administrative burdens to entrepreneurship.

The gender gap and the integration of women in economic activities

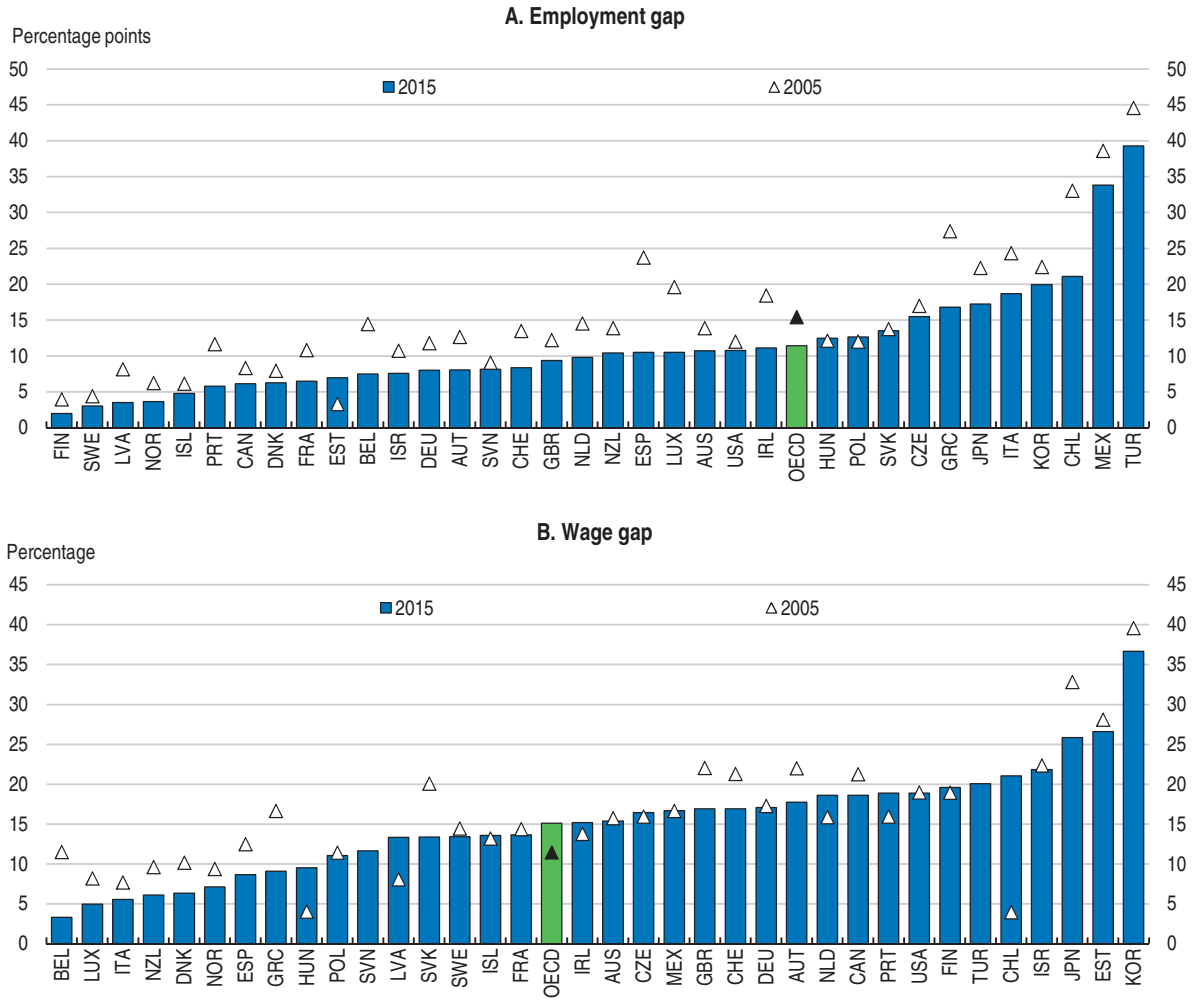
Overcoming gender inequalities is fundamental to achieve inclusive growth, contributing not only to raise equity but also to improve efficiency. The social and equity arguments for enhancing the integration of women in the labour market and, more broadly, in economic activities, are strong and multiple, in particular in terms of:

- Reducing income inequality, as evidence suggests that progress in this area over the last two decades has limited the rise in inequality. If the proportion of households with working women had remained at levels of 20 to 25 years ago, income inequality would have increased by almost 1 point more on average on the Gini coefficient scale. The impact of a higher share of women working full-time and higher relative wages for women slowed the rise of inequality by one 1 additional point (OECD, 2015b, Chapter 5).
- Reducing poverty risk and in particular child poverty, as families where no-one is working and single mothers are more likely to fall below the poverty line, and children living in such families may face a lifetime of disadvantage. Such argument is particularly relevant for emerging economies, reflecting the prevalence of still large gender gaps as well as material deprivation among children. Across OECD countries for which comparable data are available, Israel and Turkey suffer from the highest child poverty rates and this is associated with large gender gaps (see Table 2.A1.1 in the Annex).[43]
- Reducing dualism by enhancing women inclusion in the labour market, in particular in countries exhibiting large gender gaps and overrepresentation of women among non-regular workers, as is the case in Japan and Korea (OECD, 2014b, Chapter 4).
- Reducing old-age poverty risk: indeed, while old-age poverty has declined dramatically across OECD countries over the last decades, there remains a clear gender gap as women face substantially higher risk of poverty than their male counterparts.[44] For example, in the United States, the poverty rate among older men is around 16.5% while it rises to 25.6% for women. In Germany and Finland, where poverty is much lower than the United States, the risk is however two times higher for older women compared to older men (OECD, 2015g). This pattern can arise from substantial gaps in pensions which in turn reflect gender gaps in remuneration, working hours and duration of working lives, in particular women's interrupted working lives.

Progress has been achieved in this area, as employment and wage gaps between men and women have been narrowing across many countries. Over the last decade the employment gap has narrowed by 4 percentage points on average across the OECD (Figure 2.15, Panel A). However this gap still stands at 11 points, and widens to close to 22 points by taking into account the fact that more women work part time than men (OECD, 2015b, Chapter 5). In addition, the average gender gap masks substantial cross-country heterogeneity: for instance the gender wage gap (unadjusted for occupational and qualification differences) ranges from above 25% in Korea and Japan to below 5% in Belgium and Luxembourg (Figure 2.15, Panel B).

OECD countries have been increasingly responsive to the challenge of tackling gender gaps, as testified by the acceleration of policy reforms to remove barriers to full-time (as well as voluntary part-time) labour market participation of women (see Chapter 3). Despite the progress achieved, the challenge remains and is widely spread, as more needs to be done to enhance the inclusion of women in the labour market.[45] This requires policy reforms in a number of areas, and the provision of quality childcare and early childhood policies is key in this respect. Progress along these lines is fundamental not only to allow women to better combine family and work responsibilities, but also to promote equality of educational opportunities for children from disadvantaged backgrounds. Many OECD countries need also pursuing tax and transfer reforms to remove fiscal disincentives for women to participate in the labour market at their full potential. Reforms in this area would improve horizontal inclusiveness in the tax system, i.e. its neutrality towards taxpayers regardless of their gender.[46]

Figure 2.15. **Gender gaps across OECD countries**[1]



1. The employment gap is defined as the difference between male and female employment rates for 15-64 year-olds. The wage gap is defined as the difference between median wages of men and women, expressed in per cent of median wages for men. Estimates of earnings refer to gross earnings of full-time wage and salary workers. Both gaps are unadjusted in the sense that they do not take into account personal characteristics such as education and work experience. For Panel B data for 2015 refer to 2010 for Estonia, Latvia, Luxembourg, the Netherlands, Slovenia and Turkey; 2011 for Israel; 2012 for France and Spain; 2013 for Sweden; and 2014 for Australia, Austria, Belgium, Denmark, Finland, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, New Zealand, Poland, Portugal and Switzerland. Data for 2005 refer to 2006 for Chile, Estonia, Italy, Latvia, Luxembourg, the Netherlands, Poland and Switzerland; 2008 for Denmark. Data from mid-2000s are not available for Slovenia and Turkey.

Source: OECD, *Labour Force Statistics and Earnings Inequality Databases.*

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Empowering women in society is a challenge among all emerging economies, not least because gender gaps are generally higher than among advanced economies. Reducing those gaps would not only reduce income inequality and enhance inclusiveness, but also, importantly, curb child poverty and malnutrition because women account for the majority of primary-care givers. Recent analysis suggests that closing gender gaps in the labour markets of emerging economies is still an unfinished job (OECD, 2016c, Chapter 4):

- The gender gap in labour market participation is shrinking in many emerging economies, but progress has been very uneven. The most significant improvements have been recorded in Latin America, particularly in Chile and Costa Rica, while larger gaps persist in countries such as India and Indonesia.

- The share of NEET is higher among women than men, partly reflecting motherhood at a young age in some emerging economies, especially in India but also in Turkey and Mexico.
- Female workers in emerging economies continue to have worse jobs than men, for example because employed women are overrepresented in low productivity and low pay sectors; and self-employed women are overrepresented in low profitability businesses as well as in informal jobs. As a result, women have less secure jobs than men, facing both a higher unemployment risk and a higher risk of extreme low pay, as emphasised above.
- Closing gender gaps in emerging economies requires concerted action across a broad spectrum of policy domains, with an emphasis on tackling the remaining gaps in education and access to capital; but also, as in advanced countries, freeing women's time by, for example, expanding subsidised childcare and promoting flexible employment; as well as addressing fiscal disincentives and other regulations that limit female participation in the formal labour market; and, last but not least, fighting gender discrimination and violence against women.

Notes

1. Successive issues of *Going for Growth* have already emphasised that while rising GDP per capita has certainly the potential to make all citizens better off materially, evidence shows that the benefits of growth need not benefit all across the income distribution (OECD, 2015a). The extension of the framework is in line with some of the key recommendations put forward by the Commission on the Measurement of Economic Performance and Social Progress and followed up in the OECD Better Life Initiative and the OECD Inclusive Growth framework (OECD, 2014a).
2. Higher household disposable income may not necessarily bring improvements in other aspects of well-being such as participation in productive activities, education and good health. Income is arguably the most important contributor to well-being, but non-income dimensions also matter (OECD, 2014a).
3. See OECD (2014b, Chapter 3; 2015c, Chapter 5) for details and references. The OECD Job Quality framework also includes one additional dimension not considered here, that is, the quality of the working environment. This captures non-economic aspects of job quality and includes factors that relate to the nature and content of work performed, working-time arrangements and workplace relationships. The reason for not yet incorporating the quality of working environment in the current *Going for Growth* extension relates to data availability issues as well as to the still relatively limited evidence on the impact of pro-growth policies on such dimension of job quality and, more broadly, well-being.
4. Available measures with a sufficiently broad time and country coverage – generally based on variants of life expectancy – remain relatively poor proxies of health outcomes and further statistical progress is needed in this area.
5. For example, the next edition of the *OECD Better Life Index* is planned to include a broader range of inequality dimensions which could be taken on board in future editions of *Going for Growth*.
6. The focus of such quantitative assessment is on long-term effects, in line with the broad orientation of *Going for Growth*, i.e. boosting long-term living standards. At the same time, short-term and country-specific imperatives are ultimately taken into account when formulating a relevant package of policy recommendations *via* the qualitative assessment, based on consultation with country experts.
7. See Immervoll and Richardson (2011) on redistribution policy and inequality reduction in OECD countries.
8. Research on the policy drivers of poverty is abundant for developing countries. The World Bank produces a substantive amount of policy-relevant work in this area which can be relied upon for assessing reform recommendations for emerging economies (World Bank, 2015). However, much less is available in the case of high-income countries on the policy drivers of poverty risk and depth. The matching and example above relies on evidence summarised in the Handbook for Income Distribution (Marx et al., 2015).

9. Another strong argument in this respect is recent empirical evidence on the distributional effect of economic growth: Hermansen et al. (2016) show that employment-rich growth reduces income inequalities by boosting incomes in the middle class and among the poor.
10. See also OECD (2016c), Chapter 3, for a discussion on policy packages to mitigate potential short-term employment and wage losses associated with reforms that reduce barriers to entry in product markets and reforms that increase flexibility in regulation governing the dismissal of workers on regular contracts.
11. That is the case in a static perspective as opposed to over the lifecycle, in which case the effect comes closer to being distribution-neutral. See OECD/Korea Institute of Public Finance (2014).
12. In fact, this is consistent with recent findings by Causa et al. (2016) as product market reform-driven disposable income gains are found to be fairly equally shared, hence distributionally neutral, in a long-run perspective. However, Chapter 3 in OECD (2016c) also shows that in a short-run perspective product market reforms reducing barriers to entry in sectors dominated by large incumbent firms can entail transitory employment and wage losses within these sectors, especially when implemented during a downturn. The chapter discusses policy packages to mitigate such short-run costs.
13. The overall inequality effects of reforms stimulating innovation and technological progress are likely to be relatively more adverse than in the case of product market reforms. The findings from existing research are not clear-cut (see OECD 2011a, Chapter 2) and recent literature has suggested that innovation policies can have negative effects on low-skilled employment.
14. Ideally one would need to rely on the most comprehensive measure: household adjusted disposable income, taking into account in-kind transfers such as education and health care but this measure is not available on a time-series basis and is difficult to use for international comparisons. See OECD (2008; 2011a) for analyses on the redistributive impact of in-kind transfers.
15. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
16. The correlation between GDP per capita and income inequality is -0.45 across OECD countries, dropping to -0.22 when Chile, Mexico and Turkey are excluded.
17. In this chapter emerging economies refer to non-OECD countries (Argentina, Brazil, China, Colombia, Costa Rica, India, Indonesia, Lithuania, Russia and South Africa) along with Chile, Mexico and Turkey.
18. In Korea the poverty rate is particularly high among old people, see latest OECD Economic Survey, OECD (2016d).
19. As a result, the corresponding figure is not shown.
20. Widespread increases in income inequality have taken place in a longer time perspective, for instance since the mid-80s, as emphasised at the beginning of this chapter and largely documented (see OECD, 2008; 2011a; 2015b).
21. Still, the population-weighted OECD average shows only a 0.1 percentage point rise per year in the Gini and the same holds by considering only advanced OECD countries (i.e. excluding Chile, Mexico and Turkey).
22. The cross-country correlation of the initial Gini coefficient and change since mid-2000s is -0.46 for the combined set of OECD countries and emerging economies, but this number should be taken with caution given that available inequality measures are based on consumption (and not on income) for a subset of emerging economies (see Figure 2.4, Panel B).
23. Relative poverty is defined as the share of individuals with equivalised disposable income less than 50% of the median for the entire population. The poverty gap is the distance between the poverty threshold and the mean income of the poor, expressed as a percentage of the poverty threshold.
24. This view first formalised by Galor and Zeira (1993), is referred to as the "human capital accumulation" theory.
25. See also Chapter 2 in OECD (2015b) on the inequality and growth debate.
26. Reducing the cost of dismissal can entail non-negligible transitory employment losses in the short-run but these losses are less acute in countries with significant labour market dualism. In any case, short-term costs can be attenuated by combining job protection reforms with collective bargaining or unemployment benefit reforms. See OECD (2016b, Chapter 3). See also Cournède et al. (2016).

27. As already mentioned, reducing barriers to entry in sectors such as network industries can entail short-run adjustment costs in terms of employment losses especially during a downturn. This can be mitigated by combining such reforms with complementary measures to promote greater internal adaptability of firms and more effective unemployment benefits. See OECD (2016c, Chapter 3). See also Cournède et al. (2016).
28. Work is ongoing in this area which will be gradually integrated in the priority-setting framework. Notably, the priority-setting framework (in the equity and growth dimensions) will be revised to reflect new findings from the reassessment of the OECD *Jobs Strategy* which will be published in 2018. Also, in the area of pension reform recommendations, distributional implications are likely to vary depending on reform design, and work is ongoing to shed empirical light on this issue (Geppert and Lüske, forthcoming). Relevant findings will be progressively incorporated in the *Going for Growth* priority-setting process.
29. Brys et al. (2016) provide a complete overview and discussion of tax design for inclusive growth.
30. See e.g. Lochner (2011) for an overview.
31. See e.g. Glewwe and Muralidharan (2016).
32. See e.g. OECD (2015e); Bjorklund and Salvanes (2011); Causa and Johansson (2009).
33. See e.g. Chetty et al. (2016).
34. See Autor et al. (2003); Michaels et al. (2014); Arntz and Gregory (2016).
35. See Heckman and Mosso (2014); Altzinger et al. (2015); OECD (2012b).
36. The static inequality impact of a rise in the share of highly educated workers is in theory ambiguous, reflecting the interaction of a composition and a rate of return (wage) effect (Knight and Sabot, 1983). This may explain that cross-country empirical evidence on the distributional effects of higher tertiary attainment has been inconclusive (see e.g. Fournier and Koske, 2012 on OECD countries).
37. The idea of preventing inequalities in the first place rather than relying on tax-benefits systems has also been denoted "predistribution" (Hacker, 2011).
38. This interpretation is in line with the principle of unlocking individual capabilities, at the core of modern welfare theory (Sen, 1999). See also Atkinson (2015) for a discussion of policies to address inequality pre or post taxes and transfers.
39. Unemployment risk encompasses both the risk of becoming unemployed and the expected duration of unemployment. Unemployment insurance takes into account both the coverage of the benefits and their generosity (see OECD, 2014b, Chapter 3).
40. See Chapter 1 in OECD (2016d).
41. See various issues of *OECD Employment Outlook* and *Going for Growth*.
42. See (OECD, 2015f, Chapter 2).
43. See OECD (2015d), Chapter 4 for an in-depth assessment of child well-being.
44. See Haitz (2015).
45. See OECD (2013b).
46. See Brys et al. (2016).

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ANNEX 2.A1

The Going for Growth *dashboard of inclusiveness indicators*

Table 2.A1.1. **The *Going for Growth* dashboard of inclusiveness indicators: OECD countries**

Latest available year and average annual change since mid-2000s (△)

	INCOME DIMENSIONS															
	Inequality in household disposable income				Relative poverty (based on 50% of median household disposable income)											
	Gini coefficient		Income share bottom 20%		Poverty rate total population		Poverty rate working age population		Poverty rate children (< 18)		Poverty rate youth (18-25)		Poverty rate elderly (> 65)		Poverty mean gap	
	%	△	%	△	%	△	%	△	%	△	%	△	%	△	%	△
Australia	33.7	*0.2*	7.2	*0.0*	12.8	*-0.1*	10.2	*-0.1*	13.0	*0.1*	8.0	*0.0*	25.7	*-0.5*	27.8	*0.3*
Austria	28.0	*0.1*	8.7	*-0.1*	9.0	*0.2*	8.5	*0.2*	10.2	*0.4*	10.4	*0.2*	9.7	*0.1*	28.2	*0.0*
Belgium	26.8	*-0.2*	8.8	*0.0*	10.0	*0.1*	9.4	*0.3*	12.5	*0.3*	11.1	*0.1*	9.1	*-0.4*	22.5	*0.2*
Canada	32.2	*0.0*	7.2	*0.0*	12.6	*-0.1*	12.8	*-0.1*	16.5	*-0.1*	17.1	*0.1*	6.2	*0.2*	32.4	*0.3*
Chile	46.5	*-0.2*	4.9	*0.1*	16.8	*-0.3*	14.8	*-0.2*	22.5	*-0.3*	15.3	*0.1*	15.0	*-0.1*	31.5	*-0.3*
Czech Republic	26.2	*-0.1*	9.7	*0.0*	6.0	*0.0*	5.6	*0.0*	10.3	*0.0*	4.9	*0.0*	3.0	*0.1*	22.0	*-0.1*
Denmark	25.4	*0.3*	9.8	*-0.1*	5.4	*0.0*	6.7	*0.2*	2.7	*0.0*	21.4	*0.3*	3.8	*-0.6*	30.8	*0.7*
Estonia	36.1	*0.1*	6.3	*0.0*	16.3	*0.2*	14.9	*0.3*	14.3	*-0.2*	12.8	*0.1*	23.5	*1.0*	29.3	*-0.4*
Finland	25.7	*-0.1*	9.5	*0.0*	6.8	*0.0*	7.9	*0.1*	3.6	*0.0*	20.6	*0.4*	6.6	*-0.4*	21.3	*0.0*
France	29.4	*0.1*	8.7	*0.0*	8.0	*0.1*	7.9	*0.1*	11.3	*0.2*	12.6	*0.0*	3.5	*-0.1*	24.2	*-0.1*
Germany	29.2	*0.1*	8.6	*0.0*	9.1	*0.0*	9.1	*0.1*	9.8	*-0.1*	13.2	*-0.1*	8.4	*-0.1*	22.7	*-0.1*
Greece	34.3	*0.1*	6.5	*-0.1*	15.1	*0.3*	16.1	*0.7*	18.7	*0.7*	21.5	*1.2*	8.6	*-1.1*	34.8	*0.4*
Hungary	28.8	*0.0*	8.3	*-0.1*	10.1	*0.3*	10.0	*0.3*	11.8	*0.4*	11.9	*0.4*	8.6	*0.4*	29.2	*0.6*
Iceland	24.4	*-0.2*	10.1	*0.1*	4.6	*-0.1*	4.6	*-0.2*	5.6	*0.0*	6.4	*-0.5*	3.0	*-0.2*	30.9	*0.0*
Ireland	30.9	*-0.2*	8.2	*0.1*	8.9	*-0.5*	9.2	*-0.2*	9.1	*-0.8*	16.4	*0.9*	7.0	*-1.9*	30.6	*1.1*
Israel	36.5	*-0.1*	5.7	*0.0*	18.6	*0.0*	14.7	*0.0*	24.3	*0.0*	17.8	*0.1*	22.6	*-0.4*	35.2	*0.2*
Italy	32.5	*-0.1*	6.8	*0.0*	13.3	*0.1*	13.4	*0.3*	17.7	*0.2*	16.0	*0.4*	9.3	*-0.6*	39.9	*0.7*
Japan	33.0	*0.1*	6.5	*0.0*	16.1	*0.1*	14.5	*0.2*	16.3	*0.3*	19.7	*0.4*	19.0	*-0.3*	33.9	*-0.1*
Korea	30.2	*0.0*	6.9	*0.0*	14.4	*0.0*	9.3	*-0.2*	7.1	*-0.4*	9.0	*0.0*	48.8	*0.6*	38.7	*0.3*
Latvia	35.2	*-0.1*	6.6	*0.0*	14.1	*0.0*	12.3	*-0.1*	15.4	*-0.1*	8.7	*-0.2*	19.6	*0.9*	31.3	*-0.5*
Luxembourg	28.1	*0.2*	8.7	*-0.1*	8.4	*0.0*	8.0	*0.0*	12.4	*0.1*	8.6	*-0.2*	3.6	*0.0*	26.1	*0.5*
Mexico	45.9	*0.1*	5.0	*0.0*	16.7	*0.1*	13.9	*0.1*	19.7	*0.1*	12.0	*0.0*	25.6	*0.2*	33.4	*-0.3*
Netherlands	28.3	*0.0*	8.6	*0.0*	8.4	*0.1*	9.0	*0.2*	11.2	*0.0*	22.8	*0.6*	2.2	*-0.1*	32.1	*0.5*
New Zealand	33.3	*0.0*	7.6	*0.0*	9.9	*-0.1*	9.1	*-0.2*	12.8	*-0.2*	10.4	*-0.3*	8.2	*0.7*	23.3	*-1.1*
Norway	25.2	*-0.4*	9.1	*0.0*	7.8	*0.1*	9.0	*0.2*	6.8	*0.3*	24.4	*-0.1*	4.3	*-0.5*	35.6	*0.4*
Poland	30.0	*-0.3*	8.1	*0.1*	10.5	*-0.2*	10.4	*-0.2*	13.4	*-0.5*	12.2	*-0.1*	7.4	*0.4*	27.2	*-0.3*
Portugal	34.2	*-0.5*	6.9	*0.0*	13.6	*0.0*	13.3	*0.3*	18.2	*0.2*	17.7	*0.9*	10.2	*-0.8*	32.7	*0.4*
Slovak Republic	26.9	*0.0*	8.8	*0.0*	8.4	*0.0*	7.9	*0.0*	13.5	*0.3*	8.5	*0.0*	3.7	*-0.2*	33.7	*1.0*
Slovenia	25.5	*0.2*	9.1	*-0.1*	9.5	*0.2*	8.8	*0.3*	9.8	*0.3*	7.9	*0.3*	12.2	*-0.5*	23.9	*0.0*
Spain	34.6	*0.2*	6.1	*-0.1*	15.9	*0.1*	16.5	*0.6*	23.4	*0.6*	20.1	*1.1*	5.5	*-1.7*	38.0	*0.4*
Sweden	28.1	*0.5*	8.7	*-0.2*	8.8	*0.4*	9.4	*0.4*	8.5	*0.5*	17.0	*0.3*	7.6	*0.1*	26.1	*0.1*
Switzerland	28.5	*-0.4*	8.7	*0.1*	9.1	*-0.2*	6.2	*-0.3*	8.0	*-0.7*	6.6	*0.0*	23.4	*0.6*	23.8	*-1.2*
Turkey	39.3	*-0.4*	6.1	*0.1*	17.2	*0.0*	13.1	*0.0*	25.3	*0.2*	14.1	*0.0*	18.9	*0.4*	29.5	*-0.3*
United Kingdom	35.8	*0.0*	7.2	*0.0*	10.4	*-0.1*	9.8	*0.0*	9.9	*-0.4*	10.5	*0.1*	13.5	*-0.5*	30.6	*0.1*
United States	39.4	*0.4*	5.2	*0.0*	17.5	*0.0*	15.7	*0.2*	20.2	*-0.1*	19.9	*0.1*	21.0	*-0.4*	40.5	*0.1*
OECD	31.7	*0.0*	7.7	*0.0*	11.4	*0.0*	10.6	*0.1*	13.3	*0.0*	13.9	*0.2*	12.2	*-0.2*	30.1	*0.1*

Note: See Table 2.A1.5 for description of indicators, data sources and time coverage by country.

Table 2.A1.1. **The *Going for Growth* dashboard of inclusiveness indicators: OECD countries** *(cont.)*

Latest available year and average annual change since mid-2000s (△)

	INCOME DIMENSIONS											NON-INCOME DIMENSIONS					
	Top income and wealth shares			Earnings inequality and quality								Labour market insecurity					
	Top 1% income share		Top 1% wealth share	D5/D1 earnings ratio		D9/D5 earnings ratio		Earnings quality		Gender wage gap		Labour market insecurity		Unemployment risk		Unemployment insurance	
	%	△	%		△		△	USD	△	%	△	%	△	%	△	%	△
Australia	9.0	*0.1*	13.3	1.7	*0.0*	2.1	*0.0*	21.0	*0.2*	15.4	*0.1*	3.9	*0.2*	6.1	*0.2*	36.2	*-0.5*
Austria			24.0	1.7	*0.0*	1.9	*0.0*	21.3	*0.2*	17.7	*-0.5*	2.2	*0.0*	5.6	*0.1*	60.0	*0.6*
Belgium			12.6	1.3	*0.0*	1.7	*0.0*	27.2	*0.2*	3.3	*-0.9*	3.6	*0.1*	9.5	*0.1*	61.9	*0.7*
Canada	13.6	*-0.1*	15.5	1.9	*0.0*	1.9	*0.0*	19.7	*0.3*	18.6	*-0.4*	3.9	*0.1*	7.6	*0.1*	49.3	*0.0*
Chile			18.4	1.6	*0.0*	2.7	*0.0*	6.5	*0.3*	21.1	*1.9*	8.1		10.2	*0.1*	22.2	*0.7*
Czech Republic				1.9	*0.0*	1.8	*0.0*	8.5	*0.1*	16.5	*0.0*	4.7	*0.4*	7.0	*0.1*	32.8	*-2.0*
Denmark	6.4	*0.1*		1.5	*0.0*	1.8	*0.0*	27.3	*0.0*	6.3	*-0.6*	2.3	*0.1*	7.4	*0.5*	69.0	*0.9*
Estonia				2.1	*0.0*	2.1	*0.0*	6.7	*0.3*	26.6	*-0.4*	7.6	*0.6*	8.8	*0.5*	14.0	*1.0*
Finland	7.5	*-0.4*	12.4	1.5	*0.0*	1.8	*0.0*	20.3	*0.2*	19.6	*0.0*	2.6	*0.0*	9.3	*0.1*	72.4	*1.5*
France	7.9	*-0.1*	18.0	1.5	*0.0*	2.0	*0.0*	20.1	*0.2*	13.7	*-0.2*	4.6	*0.2*	11.5	*0.3*	59.8	*0.0*
Germany	13.0	*0.3*	24.5	1.9	*0.0*	1.8	*0.0*	24.5	*0.1*	17.1	*-0.5*	2.7	*-0.1*	5.5	*-0.7*	50.7	*-1.0*
Greece			8.5	1.7	*0.0*	1.9	*0.0*	10.2	*-0.1*	9.1	*-0.5*	32.0	*3.5*	36.8	*4.0*	13.0	*-0.3*
Hungary				1.6	*0.0*	2.3	*0.0*	7.3	*0.0*	9.5	*0.6*	7.8	*0.6*	9.9	*0.2*	20.6	*-4.9*
Iceland				1.7	*0.0*	1.8	*0.0*	21.2	*0.1*	13.6	*-0.6*	0.7	*-0.1*	6.0	*0.4*	87.9	*5.9*
Ireland	10.5	*-0.1*		2.0	*0.0*	2.0	*0.0*	17.6	*0.1*	15.2	*-0.3*	5.0	*0.5*	12.5	*1.1*	60.3	*-1.2*
Israel				1.9	*0.0*	2.6	*0.0*	8.5	*0.0*	21.8	*-0.5*	3.9	*-0.4*	6.4	*-0.8*	39.3	*0.3*
Italy	9.4	*0.0*	14.3	1.5	*0.0*	1.4	*0.0*	18.0	*0.0*	5.6	*-0.1*	11.8	*1.2*	16.1	*1.4*	26.4	*0.3*
Japan	10.4	*0.0*		1.6	*0.0*	1.8	*0.0*	16.1	*0.1*	25.9	*-0.5*	2.4	*0.0*	4.1	*0.0*	41.9	*1.3*
Korea	12.2	*0.3*		2.0	*0.0*	2.4	*0.0*	9.6	*0.3*	36.7	*-0.3*	2.1	*0.0*	3.3	*0.0*	34.9	*0.4*
Latvia				1.9	*-0.1*	2.3	*-0.1*			13.3	*1.3*						
Luxembourg			22.4	1.7	*0.0*	2.1	*0.0*	28.7		5.0	*-0.8*	2.1	*0.1*	6.9	*0.3*	69.5	*0.0*
Mexico				1.8	*0.0*	2.1	*0.0*	4.0	*0.0*	16.7	*0.0*	5.2	*0.2*	5.2	*0.2*	0.0	*0.0*
Netherlands	6.3	*0.0*	23.9	1.7	*0.0*	1.8	*0.0*	29.2	*0.4*	18.6	*0.7*	3.1	*0.3*	8.5	*0.7*	63.9	*-0.7*
New Zealand	7.7	*-0.2*		1.6	*0.0*	1.9	*0.0*	16.7	*0.3*	6.1	*-0.2*	4.9	*0.4*	6.5	*0.3*	24.7	*-1.2*
Norway	7.8	*-0.5*	18.5	1.7	*0.0*	1.5	*0.0*	28.2	*0.5*	7.1	*-0.2*	1.5	*0.1*	3.7	*0.1*	60.7	*-1.7*
Poland				1.9	*0.0*	2.1	*0.0*	7.2	*0.1*	11.1	*0.0*	8.9	*0.5*	11.2	*0.1*	21.1	*0.1*
Portugal			21.3	1.6	*0.0*	2.5	*0.0*	8.6	*0.0*	18.9	*0.6*	11.7	*1.0*	17.1	*0.9*	31.9	*-2.2*
Slovak Republic			7.9	1.8	*0.0*	2.0	*0.0*	8.3	*0.1*	13.4	*-0.7*	10.7	*0.6*	13.3	*0.7*	19.4	*-0.4*
Slovenia				1.6		2.0		14.4		11.6		5.2	*0.5*	11.4	*0.9*	54.6	*0.1*
Spain	8.6	*-0.2*	15.2	1.6	*0.0*	1.9	*0.0*	16.6	*0.3*	8.6	*-0.5*	26.6	*3.5*	34.7	*3.6*	23.2	*-2.8*
Sweden	8.7	*0.1*		1.4	*0.0*	1.7	*0.0*	19.8	*0.2*	13.4	*-0.2*	5.2	*0.4*	8.8	*0.4*	41.3	*-3.2*
Switzerland	10.6	*0.2*		1.5	*0.0*	1.8	*0.0*	28.5	*0.5*	16.9	*-0.5*	1.7	*0.1*	4.5	*0.1*	62.4	*-0.7*
Turkey				1.7		2.9		5.6		20.1		9.8	*0.0*	9.8	*0.0*	0.6	*-0.1*
United Kingdom	12.7	*-0.1*	17.5	1.8	*0.0*	2.0	*0.0*	16.8	*-0.1*	16.9	*-0.6*	5.7	*0.2*	7.8	*0.3*	27.6	*0.8*
United States	22.0	*0.2*	36.6	2.1	*0.0*	2.4	*0.0*	17.6	*0.0*	18.9	*-0.1*	5.2	*0.3*	7.7	*0.4*	33.1	*0.4*
OECD	10.2	*0.0*	18.0	1.7	*0.0*	2.0	*0.0*	16.5	*0.2*	15.1	*-0.1*	6.5	*0.5*	10.0	*0.5*	40.8	*-0.2*

Table 2.A1.1. **The *Going for Growth* dashboard of inclusiveness indicators: OECD countries** *(cont.)*

Latest available year and average annual change since mid-2000s (△)

	NON-INCOME DIMENSIONS																	
	Labour market inclusiveness										Health outcomes and inequalities							
	Female employment gap		Elderly employment gap		Youth unemployment gap		Foreign-born unemployment gap		Long-term unemployment rate		Female life expectancy		Male life expectancy		Self-reported good health		Health gap between low-high incomes	
	pp	△	pp	△	pp	△	pp	△	%	△	years	△	years	△	%	△	pp	△
Australia	-10.7	*0.4*	-17.2	*0.8*	8.3	*0.1*	0.0	*0.0*	23.5	*0.3*	84.4	*0.1*	80.3	*0.2*	85.2	*0.1*	-10.7	*0.8*
Austria	-8.1	*0.5*	-37.2	*1.6*	5.4	*0.0*	6.1	*-0.1*	29.2	*0.1*	84.0	*0.2*	79.2	*0.3*	69.5	*-0.2*	-20.8	*-0.3*
Belgium	-7.5	*0.7*	-34.5	*1.2*	14.4	*0.1*	10.2	*0.2*	51.7	*0.2*	83.9	*0.2*	78.8	*0.3*	75.0	*0.2*	-27.8	*-0.3*
Canada	-6.1	*0.2*	-20.5	*0.6*	7.4	*0.0*	0.5	*-0.1*	11.6	*0.2*	84.0	*0.1*	80.0	*0.2*	88.1	*0.0*	-15.4	*0.4*
Chile	-21.1	*1.2*	-10.4	*0.5*	9.8	*-0.3*	-3.6	*-0.2*			81.6	*0.1*	76.4	*0.2*	59.1	*2.2*	-13.5	*1.5*
Czech Republic	-15.5	*0.1*	-29.0	*0.9*	8.0	*-0.5*	1.7	*-0.3*	48.3	*-0.3*	82.0	*0.3*	75.8	*0.3*	60.7	*0.2*	-30.9	*-1.0*
Denmark	-6.2	*0.2*	-17.5	*0.5*	5.1	*0.2*	6.8	*-0.1*	26.9	*0.5*	82.8	*0.3*	78.7	*0.3*	72.4	*-0.5*	-14.0	*0.1*
Estonia	-7.0	*-0.2*	-18.3	*0.6*	7.0	*-0.6*	1.7	*-0.1*	38.3	*-1.2*	81.9	*0.4*	72.4	*0.6*	51.8	*0.2*	-41.5	*-1.1*
Finland	-2.0	*0.2*	-19.9	*0.9*	13.4	*0.1*	8.4	*-0.4*	25.1	*0.2*	84.1	*0.2*	78.4	*0.3*	69.2	*0.0*	-26.1	*-1.0*
France	-6.5	*0.4*	-30.7	*1.1*	15.4	*0.3*	7.9	*0.2*	44.3	*0.4*	86.0	*0.2*	79.5	*0.3*	68.1	*0.1*	-12.9	*0.5*
Germany	-8.0	*0.3*	-17.6	*1.7*	2.9	*0.0*	3.6	*-0.1*	44.0	*-0.7*	83.6	*0.2*	78.7	*0.2*	65.2	*0.6*	-26.6	*-0.6*
Greece	-16.8	*1.0*	-30.2	*0.3*	25.4	*0.8*	7.6	*0.6*	73.1	*1.8*	84.1	*0.2*	78.9	*0.2*	73.5	*-0.4*	-8.2	*1.4*
Hungary	-12.5	*0.0*	-35.3	*0.7*	11.2	*0.1*	0.0	*0.2*	46.7	*0.1*	79.4	*0.2*	72.3	*0.4*	57.5	*1.4*	-14.3	*0.2*
Iceland	-4.8	*0.2*	-3.3	*0.2*	5.5	*-0.1*	3.1	*-0.1*	16.1	*0.4*	84.5	*0.1*	81.3	*0.2*	76.1	*-0.3*	-13.2	*0.4*
Ireland	-11.1	*0.8*	-18.7	*0.8*	13.4	*0.7*	2.3	*0.1*	57.6	*2.1*	83.5	*0.2*	79.3	*0.3*	82.5	*0.0*	-16.3	*1.0*
Israel	-7.6	*0.4*	-12.5	*0.6*	4.6	*-0.4*	-1.2		11.5	*-1.2*	84.1	*0.2*	80.3	*0.2*	84.3	*0.8*	-8.1	*0.7*
Italy	-18.7	*0.5*	-20.0	*2.0*	29.2	*1.1*	4.2	*0.3*	58.9	*0.9*	85.6	*0.2*	80.7	*0.3*	67.9	*1.0*	-11.2	*0.3*
Japan	-17.2	*0.5*	-12.6	*0.3*	2.1	*-0.3*			35.5	*0.2*	86.8	*0.1*	80.5	*0.2*	35.4	*-0.4*	-11.4	*-0.1*
Korea	-20.0	*0.3*	-9.9	*0.5*	7.3	*0.0*			0.4	*-0.1*	85.5	*0.4*	79.0	*0.4*	32.5	*-1.3*	-12.8	*0.3*
Latvia	-3.5	*0.4*	-19.8	*0.9*	6.8	*-0.2*			45.5	*0.3*	79.4	*0.3*	69.1	*0.3*	45.8	*1.2*	-33.2	*-1.1*
Luxembourg	-10.5	*0.9*	-44.2	*0.4*	11.5	*-0.1*	3.7	*0.0*	28.4	*0.7*	85.2	*0.3*	79.4	*0.3*	72.8	*0.1*	-12.3	*0.4*
Mexico	-33.8	*0.6*	-16.5	*-0.1*	5.4	*0.0*	0.9	*0.2*	1.2	*0.0*	77.7	*0.1*	72.3	*0.1*				
Netherlands	-9.8	*0.5*	-20.5	*1.5*	5.7	*0.1*	5.8	*0.0*	43.6	*0.9*	83.5	*0.2*	80.0	*0.3*	77.3	*0.1*	-20.5	*-0.7*
New Zealand	-10.4	*0.4*	-6.4	*0.6*	10.3	*0.3*	0.0	*-0.1*	13.2	*0.1*	83.4	*0.2*	79.8	*0.2*	88.9	*-0.1*	-3.7	*0.2*
Norway	-3.6	*0.2*	-10.9	*0.4*	5.9	*-0.2*	7.0	*0.3*	11.7	*0.2*	84.2	*0.2*	80.1	*0.3*	78.5	*0.5*	-17.0	*0.3*
Poland	-12.6	*-0.2*	-35.2	*0.5*	14.1	*-0.9*	3.0	*0.4*	39.3	*-0.8*	81.7	*0.3*	73.7	*0.3*	58.1	*0.4*	-18.0	*-1.2*
Portugal	-5.8	*0.6*	-28.9	*0.2*	20.8	*1.0*	2.1	*-0.1*	57.4	*1.2*	84.4	*0.3*	78.0	*0.3*	45.9	*0.1*	-22.1	*0.6*
Slovak Republic	-13.5	*-0.1*	-31.2	*1.5*	16.0	*-0.1*	2.1	*-0.4*	62.3	*0.2*	80.5	*0.3*	73.3	*0.3*	64.7	*1.4*	-15.4	*-0.4*
Slovenia	-8.2	*0.1*	-46.4	*0.8*	7.6	*-0.3*	3.1	*0.1*	52.3	*0.1*	84.1	*0.3*	78.2	*0.5*	64.8	*1.2*	-22.1	*1.0*
Spain	-10.5	*1.3*	-22.5	*0.8*	27.8	*1.4*	9.1	*0.5*	51.6	*1.8*	86.2	*0.3*	80.4	*0.3*	72.6	*0.8*	-10.4	*1.1*
Sweden	-3.0	*0.1*	-11.0	*0.2*	14.6	*0.3*	10.7	*0.3*	17.6	*-0.1*	84.2	*0.1*	80.4	*0.2*	80.1	*0.8*	-18.6	*0.3*
Switzerland	-8.4	*0.5*	-14.5	*0.5*	4.5	*0.1*	4.7	*0.0*	38.6	*0.5*	85.4	*0.2*	81.1	*0.3*	79.3	*-0.7*	-21.1	*-0.7*
Turkey	-39.3	*0.4*	-27.6	*-0.4*	9.5	*-0.2*	2.4	*0.5*	21.2	*-1.6*	80.7	*0.6*	75.3	*0.5*	68.1	*1.2*	-16.6	*-0.5*
United Kingdom	-9.4	*0.3*	-20.5	*0.4*	11.2	*0.3*	1.2	*-0.2*	30.7	*0.9*	83.2	*0.2*	79.5	*0.3*	70.0	*-0.5*	-22.4	*0.3*
United States	-10.8	*0.1*	-15.7	*0.3*	7.2	*0.0*	-0.6	*0.0*	18.7	*0.5*	81.2	*0.1*	76.4	*0.2*	88.1	*0.0*	-21.7	*-0.1*
OECD	-11.4	*0.4*	-21.9	*0.7*	10.7	*0.1*	3.6	*0.0*	34.6	*0.3*	83.3	*0.2*	77.9	*0.3*	68.5	*0.3*	-18.0	*0.1*

Table 2.A1.1. **The *Going for Growth* dashboard of inclusiveness indicators: OECD countries** *(cont.)*

Latest available year and average annual change since mid-2000s (△)

	NON-INCOME DIMENSIONS																
	Skills and equality of educational opportunities																
	Upper secondary education share		Mean PISA score in mathematics		Variation in PISA math scores		Low-performing students in literacy		Impact of socio-economic background in PISA: slope		Impact of socio-economic background in PISA: strength		NEET share (age 15-29)		Mean PIAAC score in literacy	Gender literacy score gap (PIAAC)	Low-performing adults in literacy
	%	△	score point	△	%	△	%	△	score point	△	%	△	%	△	score point	score point	%
Australia	79.0	1.4	493.9	-2.9	93.1	0.6	18.1	0.5	40.5	0.3	12.1	0.1	11.8	0.0	280.4	4.4	12.6
Austria	84.6	0.8	496.7	-1.0	95.1	-0.3	22.5	0.1	42.8	-0.1	14.8	0.1	10.4	-0.1	269.5	2.5	15.3
Belgium	74.7	0.9	507.0	-1.5	97.4	-1.0	19.5	0.0	45.4	-0.4	18.0	0.0	13.8	0.0	275.5	6.6	14.0
Canada	90.4	0.6	515.6	-1.3	87.7	0.2	10.7	0.0	31.9	0.3	8.7	0.1	13.2	0.1	273.5	4.4	16.4
Chile	61.4	-1.0	422.7	1.3	85.4	-0.2	28.4	-0.9	33.0	-0.5	17.8	-0.9	18.8	-1.2			
Czech Republic	93.2	0.4	492.3	-1.9	90.7	-1.4	22.0	-0.3	51.5	-0.3	20.6	0.5	12.2	-0.4	274.0	4.6	11.8
Denmark	80.4	-0.1	511.1	-0.2	80.6	-0.5	15.0	-0.1	30.6	-0.4	10.9	-0.2	10.5	0.2	270.8	3.6	15.7
Estonia	90.9	0.2	519.5	0.6	80.4	0.0	10.6	-0.3	32.6	-0.2	9.8	-0.3	12.8	-0.2	275.9	2.6	13.0
Finland	87.2	0.9	511.1	-4.1	82.2	0.1	11.1	0.7	37.2	0.5	11.6	0.2	14.3	0.3	287.5	2.3	10.6
France	77.3	1.2	492.9	-0.3	95.2	0.0	21.5	0.0	53.1	0.3	20.1	-0.1	17.2	0.3	262.1	2.0	21.6
Germany	86.8	0.3	506.0	0.2	89.0	-1.1	16.2	-0.4	36.2	-1.2	14.6	-0.6	8.6	-0.6	269.8	5.2	17.5
Greece	70.2	1.3	453.6	-0.6	89.4	-0.3	27.3	0.0	30.2	-0.8	10.6	-0.6	26.1	0.6			
Hungary	83.2	0.7	476.8	-1.6	93.8	0.3	27.5	0.8	45.2	-0.3	21.3	-0.2	15.9	-0.1			
Iceland	74.7	0.8	488.0	-1.9	92.9	0.5	22.1	0.2	32.8	0.5	6.7	-0.1	6.2	0.1			
Ireland	79.8	1.5	503.7	0.3	79.8	-0.2	10.2	-0.2	35.5	0.0	14.1	0.1	16.2	0.6	266.5	5.3	17.4
Israel	85.5	0.6	469.7	3.1	103.4	-0.4	26.6	-1.4	40.9	-0.2	11.4	-0.1	14.1	-1.7			
Italy	59.9	1.0	489.7	3.1	93.6	-0.2	21.0	-0.6	30.6	0.2	9.6	0.1	27.4	0.6	250.5	0.4	27.7
Japan			532.4	1.0	88.2	-0.3	12.9	-0.6	41.5	0.2	11.2	0.2	9.8	-0.3	296.2	2.3	4.9
Korea	85.8	1.0	524.1	-2.6	99.7	0.8	13.7	0.9	53.1	1.7	13.2	0.2	18.0		272.6	5.8	12.9
Latvia	87.8	0.3	482.3	-0.4	77.5	-0.6	17.7	-0.4	27.6	-0.4	10.7	-0.1	13.0				
Luxembourg	74.6	1.0	485.8	-0.5	93.6	0.0	25.6	0.3	36.7	0.1	18.9	0.1	8.4	0.1			
Mexico	35.5	0.4	408.0	0.3	75.0	-1.1	41.7	-0.6	18.1	-0.9	8.6	-0.8	21.9	-0.3			
Netherlands	76.4	0.5	512.3	-2.0	91.5	0.3	18.1	0.3	39.9	0.1	11.0	-0.5	8.3	0.1	284.0	4.0	11.7
New Zealand	74.7		495.2	-3.0	92.1	-0.1	17.3	0.3	43.2	0.0	13.7	-0.1	13.3	0.1			
Norway	82.4	-0.5	501.7	1.3	84.9	-0.7	14.9	-0.8	34.7	0.0	9.0	0.1	9.2	0.1	278.4	6.8	12.3
Poland	90.8	0.6	504.5	1.0	87.6	0.1	14.4	-0.2	37.0	-0.1	12.2	-0.3	15.6	-0.3	266.9	-1.8	18.8
Portugal	45.1	1.8	491.6	2.8	95.7	0.6	17.2	-0.9	31.3	0.3	14.2	-0.3	15.3	0.2			
Slovak Republic	91.3	0.4	475.2	-1.9	95.4	0.1	32.1	0.5	39.7	-0.7	15.8	-0.4	17.2	-0.3	273.8	-1.8	11.6
Slovenia	86.8	0.6	509.9	0.6	87.8	-0.2	15.1	-0.2	35.1	-0.8	10.7	-0.7	14.6	0.5			
Spain	57.4	0.8	485.8	0.7	84.7	-0.5	16.2	-1.0	26.9	-0.3	14.3	0.2	22.8	0.7	251.8	6.8	27.5
Sweden	82.0	-0.1	493.9	-0.9	90.1	0.0	18.4	0.4	41.0	0.3	14.0	0.3	9.1	0.0	279.2	5.4	13.3
Switzerland	88.2	0.3	521.3	-0.9	95.7	-0.2	20.0	0.4	36.9	-0.4	12.6	-0.1	8.3	-0.2			
Turkey	37.0	0.9	420.5	-0.4	81.9	-1.3	40.0	0.9	20.6	-1.6	8.7	-0.9	28.8	-1.5			
United Kingdom	79.1	1.2	492.5	-0.3	92.6	0.4	17.9	-0.1	35.2	-0.6	10.8	-0.4	13.7	0.0	272.5	2.7	16.4
United States	89.5	0.1	469.6	-0.5	88.5	-0.1	19.0	0.2	31.8	-1.1	13.1	-0.6	14.4	0.1	269.8	2.4	17.5
OECD	77.2	0.6	490.2	-0.4	89.5	-0.2	20.1	-0.1	36.6	-0.2	13.0	-0.2	14.6	-0.1	272.8	3.5	15.5

Table 2.A1.2. **The *Going for Growth* dashboard of inclusiveness indicators: emerging economies**

Latest available year and average annual change since mid-2000s (△)

	INCOME DIMENSIONS										NON-INCOME DIMENSIONS				
	Inequality in household disposable income or consumption				Absolute poverty (based on USD 1.9 a day poverty line)				Earnings inequality and quality		Labour market insecurity				
	Gini coefficient		Income share bottom 20%		Absolute poverty rate		Absolute poverty gap		Earnings quality	Earnings inequality	Vulnerable employment		Incidence of informality		Risk of extreme low pay
	%	△	%	△	%	△	%	△	USD	%	%	△	%	△	%
Argentina									2.1	0.6	20.5	*-0.1*	35.8	*-1.4*	3.0
Brazil	51.5	*-0.5*	3.6	*0.1*	3.7	*-0.7*	1.7	*-0.3*	1.3	0.7	23.1	*-1.1*	32.2	*-2.0*	3.1
Chile	46.5	*-0.2*	4.9	*0.1*	0.9	*-0.2*	0.4	*-0.1*	6.5	0.3			15.4	*-0.9*	1.8
China	42.2	*-0.2*	5.2	*0.0*	1.9	*-2.1*	0.3	*-0.6*	1.9	0.6			16.3		1.3
China-rural	34.0	*-0.2*	7.7	*0.0*	3.4	*-3.4*	0.6	*-0.9*							
China-urban	36.7	*0.2*	6.8	*-0.1*	0.5	*-0.3*	0.2	*-0.1*							
Colombia	53.5	*-0.3*	3.4	*0.0*	5.7	*-0.6*	2.3	*-0.2*	1.0	0.7	47.9	*0.3*	40.7		13.5
Costa Rica	48.5	*0.0*	4.2	*0.0*	1.6	*-0.4*	0.7	*-0.2*	1.9	0.6	20.7	*-0.3*	33.1		2.4
India	35.2		8.3		21.2	*-2.4*	4.3	*-0.7*	0.8	0.5	80.8	*-0.5*	93.5		33.6
India-rural	31.1	*0.1*	9.1	*0.0*	24.8	*-2.7*	5.0	*-0.8*							
India-urban	39.0	*0.2*	7.0	*0.0*	13.4	*-1.7*	2.7	*-0.5*							
Indonesia	39.5		7.2		8.3	*-1.6*	1.3	*-0.4*	0.8	0.6	33.0	*-3.5*			25.3
Indonesia-rural	31.9	*0.5*	8.7	*-0.1*	8.8	*-2.4*	1.3	*-0.6*							
Indonesia-urban	42.8	*0.8*	6.2	*-0.2*	7.8	*-0.7*	1.2	*-0.2*							
Lithuania	35.3	*0.0*	6.8	*0.0*	1.0	*0.1*	0.8	*0.1*			9.8	*-0.7*			
Mexico	45.9	*0.1*	5.0	*0.0*	3.0	*-0.2*	0.8	*-0.1*	4.0	0.2			51.6	*1.2*	16.6
Russia	41.6	*0.1*	5.9	*0.0*	0.0	*-0.1*	0.0	*0.0*	2.8	0.6	6.0	*0.0*	6.8		2.0
South Africa	63.4	*-0.3*	2.5	*0.0*	16.6	*-1.8*	4.9	*-0.6*	0.8	0.8	9.3	*-0.6*	37.8	*-0.1*	8.4
Turkey	39.3	*-0.4*	6.1	*0.1*	0.3	*-0.2*	0.1	*0.0*	5.6	0.3	29.4	*-0.8*	39.7		5.3
EE[1]	45.2	*-0.2*	5.3	*0.0*	5.3	*-0.9*	1.5	*-0.3*	2.5	0.6	28.1	*-0.7*	36.6	*-0.6*	9.7
OECD	31.7	*0.0*	7.7	*0.0*					16.5						

1. Unweighted average across emerging economies.

Note: See Table 2.A1.5 for description of indicators, data sources and time coverage by country.

Table 2.A1.2. **The *Going for Growth* dashboard of inclusiveness indicators: emerging economies** *(cont.)*

Latest available year and average annual change since mid-2000s (△)

	NON-INCOME DIMENSIONS															
	Labour market inclusiveness								Health outcomes and inequality							
	Female employment gap		Elderly employment gap		Youth unemployment gap		Long-term unemployment rate		Female life expectancy		Male life expectancy		Child mortality		Access to sanitation	
	pp	△	pp	△	pp	△	%	△	years	△	years	△	per 1 000	△	%	△
Argentina									80.1	*0.2*	72.4	*0.2*	12.5	*-0.5*	96.4	*0.3*
Brazil	-22.2	*0.3*	-22.3	*0.1*	11.9	*0.0*			78.3	*0.3*	70.7	*0.3*	16.4	*-0.7*	82.8	*0.5*
Chile	-21.1	*1.2*	-10.4	*0.5*	9.8	*-0.3*			81.6	*0.1*	76.4	*0.2*	8.1	*-0.1*	99.1	*0.4*
China	-14.0	*-0.3*	-26.7	*0.2*	3.9	*-0.2*			77.3	*0.2*	74.3	*0.2*	10.7	*-1.4*	76.5	*1.2*
Colombia	-23.9	*0.4*	-16.2	*0.3*	10.3	*-0.5*	7.7	*-2.1*	77.7	*0.2*	70.5	*0.2*	15.9	*-0.6*	81.1	*0.4*
Costa Rica	-26.7	*1.0*	-18.7	*0.5*	15.7	*0.5*	15.9		81.9	*0.2*	77.0	*0.1*	9.7	*-0.1*	94.5	*0.2*
India	-51.2	*-0.9*	-11.6	*0.2*	8.4	*0.2*			69.5	*0.4*	66.6	*0.3*	47.7	*-2.7*	39.6	*0.9*
Indonesia	-31.1	*0.6*	-8.5	*-0.3*	18.3	*-1.0*			71.0	*0.2*	66.9	*0.2*	27.2	*-2.0*	60.8	*0.9*
Lithuania	-1.6	*0.5*	-21.2	*1.0*	7.7	*-0.4*	42.9	*-0.8*	80.1	*0.2*	69.2	*0.3*	5.2	*-0.5*	92.4	*0.4*
Mexico	-33.8	*0.6*	-16.5	*-0.1*	5.4	*0.0*	1.2	*0.0*	77.7	*0.1*	72.3	*0.1*	13.2	*-0.7*	85.2	*0.7*
Russia	-9.9	*-0.3*	-37.8	*0.2*	11.2	*0.1*	27.3	*-1.1*	76.5	*0.4*	65.3	*0.6*	9.6	*-0.8*	72.2	*0.0*
South Africa	-12.2	*0.3*	-18.3	*0.0*	27.3	*-0.3*	57.0	*-0.7*	59.3	*0.6*	55.2	*0.5*	40.5	*-3.3*	66.4	*0.6*
Turkey	-39.3	*0.4*	-27.6	*-0.4*	9.5	*-0.2*	21.2	*-1.6*	80.7	*0.6*	75.3	*0.5*	13.5	*-1.5*	94.9	*0.4*
EE	-23.9	*0.3*	-19.7	*0.2*	11.6	*-0.2*	24.7	*-1.0*	76.3	*0.3*	70.2	*0.3*	17.7	*-1.1*	80.1	*0.5*
OECD	-11.4	*0.4*	-21.9	*0.7*	10.7	*0.1*	34.6	*0.3*	83.3	*0.2*	77.9	*0.3*				

Note: See Table 2.A1.5 for description of indicators, data sources and time coverage by country.

Table 2.A1.2. **The *Going for Growth* dashboard of inclusiveness indicators: emerging economies** *(cont.)*

Latest available year and average annual change since mid-2000s (△)

	NON-INCOME DIMENSIONS													
	Skills and equality of educational opportunities													
	Upper secondary education share		Mean PISA score in mathematics		Variation in PISA math scores		Low-performing students in literacy		Impact of socio-economic background in PISA: slope		Impact of socio-economic background in PISA: strength		NEET share (age 15-29)	
	%	△	score point	△	%	△	%	△	score point	△	%	△	%	△
Argentina			409.0	*3.1*	80.6	*-2.3*	41.8	*-1.8*	21.8	*-1.8*	9.8	*-1.1*		
Brazil	47.4	*1.5*	377.1	*0.8*	89.2	*-0.3*	51.0	*-0.5*	29.3	*-0.3*	14.2	*-0.5*	20.0	
Chile	61.4	*-1.0*	422.7	*1.3*	85.4	*-0.2*	28.4	*-0.9*	33.0	*-0.5*	17.8	*-0.9*	18.8	*-1.2*
China	24.5	*2.0*												
Colombia	50.4		389.6	*2.2*	77.2	*-1.2*	42.8	*-1.4*	24.5	*-0.2*	12.5	*-0.1*	21.0	
Costa Rica	39.4		400.3	*-1.5*	68.4	*-0.5*	40.3	*1.3*	21.9		13.6		20.1	
India														
Indonesia	32.7	*0.9*	386.1	*-0.5*	79.8	*0.0*	55.4	*-0.3*	28.8	*0.6*	16.1	*0.7*		
Lithuania	91.4	*0.4*	478.4	*-0.9*	86.5	*-0.4*	25.1	*-0.1*	33.2	*-0.8*	11.0	*-0.7*	13.7	*0.2*
Mexico	35.5	*0.4*	408.0	*0.3*	75.0	*-1.1*	41.7	*-0.6*	18.1	*-0.9*	8.6	*-0.8*	21.9	*-0.3*
Russia	94.7		494.1	*2.0*	83.1	*-0.7*	16.2	*-2.1*	23.9	*-1.0*	4.6	*-0.4*	14.0	
South Africa	42.4	*1.0*												
Turkey	37.0	*0.9*	420.5	*-0.4*	81.9	*-1.3*	40.0	*0.9*	20.6	*-1.6*	8.7	*-0.9*	28.8	*-1.5*
EE	50.6	*0.7*	418.6	*0.6*	80.7	*-0.8*	38.3	*-0.6*	25.5	*-0.7*	11.7	*-0.5*	19.8	*-0.7*
OECD	77.2	*0.6*	490.2	*-0.4*	89.5	*-0.2*	20.1	*-0.1*	36.6	*-0.2*	13.0	*-0.2*	14.6	*-0.1*

Table 2.A1.3. **Identifying relative weaknesses along the inclusiveness dimensions on the basis of the dashboard: OECD countries**

Indicator below (above) OECD average, latest available year

	Australia	Austria	Belgium	Canada	Chile	Czech Republic	Denmark	Estonia	Finland	France	Germany	Greece	Hungary	Iceland	Ireland	Israel	Italy	Japan	Korea	Latvia	Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovak Republic	Slovenia	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States
Inequality in household disposable income																																			
Gini coefficient	✓			✓	✓			✓				✓				✓	✓	✓		✓		✓		✓			✓			✓			✓	✓	✓
Income share bottom 20%	✓			✓	✓			✓				✓				✓	✓	✓	✓	✓		✓		✓			✓			✓			✓	✓	✓
Relative poverty (based on 50% of median household disposable income)																																			
Total population	✓			✓	✓			✓				✓				✓	✓	✓	✓	✓		✓					✓			✓			✓		✓
Working-age population				✓	✓			✓				✓				✓	✓	✓		✓		✓					✓			✓			✓		✓
Child (< 18)				✓	✓			✓				✓				✓	✓	✓		✓		✓				✓	✓	✓		✓			✓		✓
Youth (18-25)				✓	✓		✓		✓			✓			✓	✓	✓	✓					✓		✓		✓			✓	✓		✓		✓
Elderly (> 65)	✓				✓			✓								✓		✓	✓	✓		✓							✓			✓	✓	✓	✓
Poverty mean gap				✓	✓		✓					✓		✓	✓	✓	✓	✓	✓	✓		✓	✓		✓		✓	✓		✓				✓	✓
Top income and wealth shares																																			
Top 1% income share		-	-	✓	-	-		-			✓	-	-	-	✓	-		✓	✓	-	-	-				-	-	-	-			✓	-	✓	✓
Top 1% wealth share		✓			✓	-	-	-			✓		-	-	-	-		-	-	-	✓	-	✓	-	✓	-	✓		-		-	-	-		✓
Earnings inequality and quality																																			
D5/D1 earnings ratio		✓		✓		✓		✓			✓	✓			✓	✓			✓	✓		✓				✓		✓						✓	✓
D9/D5 earnings ratio	✓				✓			✓					✓			✓			✓	✓	✓	✓				✓	✓		✓				✓		✓
Earnings quality					✓	✓		✓				✓	✓			✓		✓	✓	-		✓				✓	✓	✓	✓				✓		
Gender wage gap	✓	✓		✓	✓	✓		✓	✓		✓				✓	✓		✓	✓			✓	✓				✓					✓	✓	✓	✓
Labour market insecurity																																			
Labour market insecurity					✓			✓				✓	✓				✓			-						✓	✓	✓		✓			✓		
Unemployment risk					✓					✓		✓			✓		✓			-						✓	✓	✓	✓	✓					
Unemployment insurance	✓				✓	✓		✓				✓	✓			✓	✓		✓	-		✓		✓		✓	✓	✓		✓			✓	✓	✓

Note: A relative weakness, defined as performance in the direction of less inclusiveness relative to the OECD average, is indicated by "✓". No available information is marked by "-". See Table 2.A1.1 for underlying values.

Table 2.A1.3. **Identifying relative weaknesses along the inclusiveness dimensions on the basis of the dashboard: OECD countries** *(cont.)*

Indicator below (above) OECD average, latest available year

	Australia	Austria	Belgium	Canada	Chile	Czech Republic	Denmark	Estonia	Finland	France	Germany	Greece	Hungary	Iceland	Ireland	Israel	Italy	Japan	Korea	Latvia	Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovak Republic	Slovenia	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States
Labour market inclusiveness																																			
Female employment gap					✓	✓						✓	✓				✓	✓	✓			✓				✓		✓					✓		
Elderly employment gap		✓	✓			✓				✓		✓	✓								✓					✓	✓	✓	✓	✓			✓		
Youth unemployment gap			✓						✓	✓		✓	✓		✓		✓				✓					✓	✓	✓		✓	✓			✓	
Foreign-born unemployment gap		✓	✓				✓		✓	✓	✓	✓					✓	-	-	-	✓		✓		✓					✓	✓	✓			
Long-term unemployment rate			✓		-	✓		✓		✓	✓	✓	✓		✓		✓	✓		✓			✓			✓	✓	✓	✓	✓		✓			
Health outcomes and inequalities																																			
Female life expectancy					✓	✓	✓	✓					✓							✓		✓				✓		✓					✓	✓	✓
Male life expectancy					✓	✓		✓					✓							✓		✓				✓		✓					✓		✓
Self-reported good health					✓	✓		✓		✓	✓		✓				✓	✓	✓	✓		-				✓	✓	✓	✓				✓		
Health gap between low-high incomes		✓	✓			✓		✓	✓		✓									✓		-	✓			✓	✓		✓		✓	✓		✓	✓
Skills and equality of educational opportunities																																			
Upper-secondary educational share			✓		✓							✓		✓			✓	-			✓	✓	✓	✓			✓			✓			✓		
Mean PISA score in mathematics					✓							✓	✓	✓		✓	✓			✓	✓	✓						✓		✓			✓		✓
Variation in PISA math scores	✓	✓	✓			✓				✓			✓	✓		✓	✓		✓		✓		✓	✓			✓	✓			✓	✓		✓	
Low-performing students in literacy		✓			✓	✓				✓		✓	✓	✓		✓	✓				✓	✓						✓					✓		
Impact of socio-economic background in PISA: slope	✓	✓	✓			✓			✓	✓			✓			✓		✓	✓		✓		✓	✓		✓		✓			✓	✓			
Impact of socio-economic background in PISA: strength		✓	✓		✓	✓				✓	✓		✓		✓				✓		✓			✓			✓	✓		✓	✓				✓
NEET share (age 15-29)					✓					✓		✓	✓		✓		✓		✓			✓				✓	✓	✓		✓			✓		
Mean PIAAC score in literacy		✓			-		✓			✓	✓	-	-	-	✓	-	✓		✓	-	-	-		-		✓	-		-	✓		-	-	✓	✓
Gender literacy score gap (PIAAC)	✓		✓	✓	-	✓	✓				✓	-	-	-	✓	-			✓	-	-	-	✓	-	✓		-		-	✓	✓	-	-		
Low-performing adults in literacy				✓	-		✓			✓	✓	-	-	-	✓	-	✓			-	-	-		-		✓	-		-	✓		-	-	✓	✓

Table 2.A1.4. **Identifying relative weaknesses along the inclusiveness dimensions on the basis of the dashboard: emerging economies**

Indicator below (above) emerging economies average, latest available year

	Argentina	Brazil	Chile	China	Colombia	Costa Rica	India	Indonesia	Lithuania	Mexico	Russia	South Africa	Turkey
Inequality in household disposable income or consumption													
Gini coefficient	-	✓	✓		✓	✓				✓		✓	
Income share bottom 20%	-	✓	✓	✓	✓	✓				✓		✓	
Absolute poverty (based on USD 1.9 a day poverty line)													
Absolute poverty rate	-				✓		✓	✓				✓	
Absolute poverty gap	-	✓			✓		✓					✓	
Earnings inequality and quality													
Earnings quality	✓	✓		✓	✓	✓	✓	✓	-			✓	
Earnings inequality	✓	✓		✓	✓	✓		✓	-		✓	✓	
Labour market insecurity													
Vulnerable employment			-	-	✓		✓	✓		-			✓
Incidence of informality					✓		✓	-	-	✓		✓	✓
Risk of extreme low pay					✓		✓	✓	-	✓			
Labour market inclusiveness													
Female employment gap	-				✓	✓	✓	✓		✓			✓
Elderly employment gap	-	✓		✓					✓		✓		✓
Youth unemployment gap	-	✓				✓		✓				✓	
Long-term unemployment rate	-	-	-	-			-	-	✓		✓	✓	
Health outcomes and inequality													
Female life expectancy							✓	✓				✓	
Male life expectancy							✓	✓	✓		✓	✓	
Child mortality							✓	✓				✓	
Access to sanitation				✓			✓	✓			✓	✓	
Skills and equality of educational opportunities													
Upper-secondary educational share	-	✓		✓	✓	✓	-	✓		✓		✓	✓
Mean PISA score in mathematics	✓	✓		-	✓	✓	-	✓		✓		-	
Variation in PISA math scores		✓	✓	-			-		✓		✓	-	✓
Low-performing students in literacy	✓	✓		-	✓	✓	-	✓		✓		-	✓
Impact of socio-economic background in PISA: slope		✓	✓	-			-	✓	✓			-	
Impact of socio-economic background in PISA: strength		✓	✓	-	✓	✓	-	✓				-	
NEET share (age 15-29)	-	✓		-	✓	✓	-	-		✓		-	✓

Note: A relative weakness, defined as performance in the direction of less inclusiveness relative to the simple emerging economies average, is indicated by "✓". No available information is marked by "-". See Table 2.A1.2 for underlying values.

Table 2.A1.5. **Documentation of dashboard indicators**

Indicator	Description	Source	Unit	Latest available year	Mid-2000s to latest available year
Inequality in household disposable income					
Gini coefficient	The Gini coefficient summarises the overall household income distribution and takes the value 0 if everybody has identical incomes and 100 if all income goes to one person. Based on equivalised household disposable incomes for OECD countries and Lithuania. A break in the series in 2011/12 for most countries is accounted for by computing the total change as the sum of the change before and after the break, using a year for which the two series overlap. For non-OECD countries, it is based on household income per household member for Brazil, Colombia and Costa Rica; and household consumption per household member for China, India, Indonesia, Russia and South Africa.	OECD Income Distribution Database; World Bank World Development Indicators and PovcalNet	Index 0-100	2011: IND ZAF; 2012: CHE CHN JPN NZL RUS; 2013: AUT BEL CAN CHL CZE DEU DNK ESP EST FRA GBR GRC IDN IRL ISL ITA LTU LUX LVA NOR POL PRT SVK SVN SWE TUR; 2014: AUS BRA COL CRI FIN HUN ISR KOR MEX NLD USA	2003-12: JPN NZL; 2004-12: RUS; 2004-13: AUT BEL CAN CZE DEU ESP EST FRA GBR GRC IRL ISL ITA LTU LUX LVA NOR PRT SVK SVN SWE TUR; 2004-14: AUS BRA COL CRI FIN MEX USA; 2005-13: DNK POL; 2005-14: HUN ISR NLD; 2006-11: ZAF; 2006-13: CHL; 2006-14: KOR; 2008-12: CHN; 2009-12: CHE
Bottom 20% income share	Share of total income held by the lowest 20% of the income distribution. See Gini coefficient for underlying income concept.	OECD Income Distribution Database; World Bank World Development Indicators and PovcalNet	Percentage	2011: IND ZAF; 2012: CHE CHN JPN NZL RUS; 2013: AUT BEL CAN CHL CZE DEU DNK ESP EST FRA GBR GRC IDN IRL ISL ITA LTU LUX LVA NOR POL PRT SVK SVN SWE TUR; 2014: AUS BRA COL CRI FIN HUN ISR KOR MEX NLD USA	2003-12: JPN NZL; 2004-12: RUS; 2004-13: AUT BEL CAN CZE DEU ESP EST GBR GRC IRL ISL ITA LTU LUX LVA NOR PRT SVK SVN SWE TUR; 2004-14: AUS BRA COL CRI FIN MEX; 2005-13: DNK FRA POL; 2005-14: HUN ISR NLD USA; 2006-11: ZAF; 2006-13: CHL; 2006-14: KOR; 2008-12: CHN; 2009-12: CHE
Poverty					
Poverty rate (total population; working-age population; child; youth; elderly)	Share of population with income below 50% of median equivalised household disposable income. Working-age population: age 18-65; child population: age 0-18; youth population: age 18-25; elderly population: above age 65.	OECD Income Distribution Database	Percentage	2012: CHE JPN NZL; 2013: AUT BEL CAN CHL CZE DEU DNK ESP EST FRA GBR GRC IRL ISL ITA LUX LVA NOR POL PRT SVK SVN SWE TUR; 2014: AUS FIN HUN ISR KOR MEX NLD USA	2003-12: JPN NZL; 2004-13: AUT BEL CAN CZE DEU ESP EST FRA GBR GRC IRL ISL ITA LUX LVA NOR PRT SVK SVN SWE TUR; 2004-14: AUS FIN MEX USA; 2005-13: DNK POL; 2005-14: HUN ISR NLD; 2006-13: CHL; 2006-14: KOR; 2009-12: CHE
Poverty mean gap	The difference between the poverty threshold (50% of median equivalised household disposable income) and mean income of the poor falling below the threshold, expressed as a percentage of the poverty threshold.	OECD Income Distribution Database	Percentage	See poverty rate.	

Table 2.A1.5. **Documentation of dashboard indicators** *(cont.)*

Indicator	Description	Source	Unit	Latest available year	Mid-2000s to latest available year
Absolute poverty rate (USD 1.9 a day, 2011 PPP)	Poverty headcount ratio expressed as the percentage of the population living on less than USD 1.9 a day at 2011 PPP. Based on household income per household member for Brazil, Colombia and Costa Rica; and household consumption per household member for China, India, Indonesia, Russia and South Africa.	World Bank World Development Indicators	Percentage	2011: IND ZAF; 2012: LTU RUS; 2013: CHL CHN TUR; 2014: BRA COL CRI IDN MEX	2003-13: CHL; 2004-11: IND; 2004-12: LTU RUS; 2004-13: TUR; 2004-14: BRA COL CRI IDN MEX; 2005-13: CHN; 2006-11: ZAF
Absolute poverty gap (USD 1.9 a day, 2011 PPP)	The difference between the poverty line ($1.9 a day, 2011 PPP) and mean income of the poor falling below the line, expressed as a percentage of the poverty line. See absolute poverty rate for underlying income concept.	World Bank World Development Indicators	Percentage	See absolute poverty rate.	
Top income and wealth shares					
Top 1% income share	Share of fiscal income held by the top 1%. Excludes capital gains. See F. Alvaredo, A. B. Atkinson, T. Piketty, E. Saez, and G. Zucman, The World Wealth and Income Database, *www.wid.world* for further documentation.	The World Wealth and Income Database	Percentage	2009: FIN IRL ITA; 2010: CAN CHE DNK JPN; 2011: DEU NOR; 2012: ESP GBR KOR NLD; 2013: AUS FRA NZL SWE; 2015: USA	2004-09: FIN IRL ITA; 2004-10: CAN CHE DNK JPN; 2004-11: DEU NOR; 2004-12: ESP GBR KOR NLD; 2004-13: AUS FRA NZL SWE; 2004-15: USA
Top 1% wealth share	Share of total household net wealth held by the top 1%. Household wealth includes financial and non-financial assets and liabilities.	OECD Wealth Distribution Database	Percentage	2010: AUT BEL DEU ESP FIN FRA GRC ITA LUX NLD PRT SVK USA; 2012: AUS CAN GBR NOR; 2014: CHL	-
Earnings inequality and quality					
D5/D1 earnings ratio	Ratio of the median to the 10th percentile of the gross earnings distribution for full-time dependent employees.	OECD Earnings Distribution Database	Interdecile ratio	2010: EST LUX LVA NLD SVN TUR; 2011: ISR; 2012: ESP FRA; 2013: SWE; 2014: AUS AUT BEL CHE DEU DNK FIN GRC IRL ISL ITA JPN KOR NZL POL PRT; 2015: CAN CHL CZE GBR HUN MEX NOR SVK USA	2003-15: CHL; 2004-11: ISR; 2004-12: ESP FRA; 2004-13: SWE; 2004-14: AUS AUT BEL CHE DEU FIN GRC IRL ISL ITA JPN KOR NZL POL PRT; 2004-15: CAN CZE GBR HUN NOR SVK USA; 2005-15: MEX; 2006-10: EST LUX LVA NLD; 2008-14: DNK
D9/D5 earnings ratio	Ratio of the 90th percentile to the median of the gross earnings distribution for full-time dependent employees.	OECD Earnings Distribution Database	Interdecile ratio	See D5/D1 earnings ratio	
Earnings quality	Earnings quality takes into account both the level and the distribution of earnings across the workforce. It is measured by average hourly earnings (in constant 2013 prices and constant PPPs for private consumption) discounted by an earnings inequality index (one minus the Atkinson index with high inequality aversion). See OECD (2014b, Chapter 3) for more details.	OECD Job Quality Database, OECD Employment Outlook 2015 (OECD, 2015c, Chapter 5)	US Dollar	2009: BRA CHN; 2010: ARG COL CRI EST IDN LUX NLD RUS SVN TUR ZAF; 2011: IND ISR; 2012: CHE ESP FRA ITA POL SWE; 2013: AUS AUT BEL CHL DEU DNK FIN GRC IRL ISL JPN NZL PRT; 2014: CAN CZE GBR HUN KOR MEX NOR SVK USA	2005-12: ESP FRA POL SWE; 2005-13: AUS AUT BEL DEU FIN GRC IRL ISL JPN NZL PRT; 2005-14: CAN CZE GBR HUN KOR MEX NOR SVK USA; 2006-10: EST NLD; 2006-12: CHE ITA; 2006-13: CHL; 2008-11: ISR; 2008-13: DNK

Table 2.A1.5. **Documentation of dashboard indicators** *(cont.)*

Indicator	Description	Source	Unit	Latest available year	Mid-2000s to latest available year
Earnings inequality	Atkinson inequality index with high inequality aversion (-3) for hourly earnings. See OECD (2014b, Chapter 3) for more details. The Atkinson index has been scaled by 100.	OECD Employment Outlook 2015 (OECD, 2015c, Chapter 5)	Index 0-100	2009: BRA CHN; 2010: ARG COL CRI IDN RUS TUR ZAF; 2011: IND; 2013: CHL; 2014: MEX	-
Gender wage gap	The difference between median wages of men and women, expressed in percentage of the median wage of men. Estimates of earnings used in the calculations refer to gross earnings of full-time wage and salary workers. Self-employed and unpaid family workers are not included in the calculations. No adjustment for observable differences in occupation, education, experience etc.	OECD Earnings Distribution Database	Percentage	2010: EST LUX LVA NLD SVN TUR; 2011: ISR; 2012: ESP FRA; 2013: SWE; 2014: AUS AUT BEL CHE DEU DNK FIN GRC IRL ISL ITA JPN KOR NZL POL PRT; 2015: CAN CHL CZE GBR HUN MEX NOR SVK USA	2004-11: ISR; 2004-12: ESP FRA; 2004-13: SWE; 2004-14: AUS AUT BEL CHE DEU FIN GRC IRL ISL ITA JPN KOR NZL POL PRT; 2004-15: CAN CZE GBR HUN NOR SVK USA; 2005-15: MEX; 2006-10: EST LUX LVA NLD; 2006-15: CHL; 2008-14: DNK
Labour market insecurity and informality					
Labour market insecurity	Labour market insecurity is defined in terms of the expected earnings loss associated with unemployment. This loss depends on the risk of becoming unemployed, the expected duration of unemployment and the degree of mitigation against these losses provided by government transfers to the unemployed (effective insurance). It is measured as the product of "unemployment risk" (see below) and one minus "unemployment insurance" (see below). See OECD (2014b, Chapter 3) for more details.	OECD Job Quality Database	Percentage	2009: BRA CHN; 2010: ARG COL CRI IDN IND RUS ZAF; 2011: CHL; 2013: AUS AUT BEL CAN CHE CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA JPN KOR LUX MEX NLD NOR NZL POL PRT SVK SVN SWE TUR USA	2006-13: GRC MEX; 2007-13: AUS AUT BEL CAN CHE CZE DEU DNK ESP EST FIN FRA GBR HUN IRL ISL ISR ITA JPN KOR LUX NLD NOR NZL POL PRT SVK SVN SWE TUR USA
Unemployment risk	Unemployment risk is measured as the monthly unemployment inflow probability times the expected average duration of unemployment spells (in months). Unemployment inflow probability: the ratio of unemployed persons who have been unemployed for less than one month over the number of employed persons one month before. Expected unemployment duration: the inverse of the unemployment outflow probability where the latter is defined as one minus the ratio of unemployed persons who have been unemployed for one month or more over the number of unemployed persons one month before. See OECD (2014b, Chapter 3) for more details.	OECD Job Quality Database	Percentage	2009: BRA CHN; 2010: ARG COL CRI IDN IND RUS ZAF; 2011: CHL; 2013: AUS AUT BEL CAN CHE CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA JPN KOR LUX MEX NLD NOR NZL POL PRT SVK SVN SWE TUR USA	2006-11: CHL; 2006-13: AUS AUT BEL CAN CHE CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA JPN KOR LUX MEX NLD NOR NZL POL PRT SVK SVN USA; 2007-13: SWE TUR

Table 2.A1.5. **Documentation of dashboard indicators** *(cont.)*

Indicator	Description	Source	Unit	Latest available year	Mid-2000s to latest available year
Unemployment insurance	Unemployment insurance is defined as the coverage rate of unemployment insurance (UI) times its average net replacement rate among UI recipients plus the coverage rate of unemployment assistance (UA) times its net average replacement rate among UA recipients. The average replacement rates for recipients of UI and UA take account of family benefits, social assistance and housing benefits. See OECD (2014b, Chapter 3) for more details.	OECD Job Quality Database	Percentage	2009: BRA CHN; 2010: ARG COL CRI IDN IND RUS ZAF; 2013: AUS AUT BEL CAN CHE CHL CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA JPN KOR LUX MEX NLD NOR NZL POL PRT SVK SVN SWE TUR USA	2005-13: GRC; 2006-13: MEX; 2007-13: AUS AUT BEL CAN CHE CHL CZE DEU DNK ESP EST FIN FRA GBR HUN IRL ISL ISR ITA JPN KOR LUX NLD NOR NZL POL PRT SVK SVN SWE TUR USA
Vulnerable employment	Vulnerable employment is defined as the sum of the employment status groups of own account workers and contributing family workers as a percentage of total employment.	World Bank World Development Indicators	Percentage	2010: IND; 2013: ARG BRA COL CRI IDN RUS ZAF; 2014: LTU TUR	2003-13: ZAF; 2004-13: ARG BRA COL CRI IDN RUS; 2004-14: LTU; 2005-10: IND; 2006-14: TUR
Incidence of informality	Informal employment as a share of total employment. Informality is defined to include: i) employees who do not pay social contributions, except for Colombia where contract status is used; and ii) self-employed who do not pay social contributions (Brazil, Chile, China, India, Indonesia, Turkey) or whose business is not registered (Argentina, Colombia, Costa Rica, Mexico, South Africa).	OECD Employment Outlook 2015 (OECD, 2015c, Chapter 5)	Percentage	2009: CHN; 2012: ARG BRA CHL COL CRI IND MEX RUS TUR ZAF	2008-12: ARG BRA CHL MEX ZAF
Risk of extreme low pay	The probability that a random worker in the economy will be in a low-paying occupation at a given point in time. See OECD (2015c, Chapter 5) for details of the methodology. The low-pay threshold is set at USD PPP 1 in terms of net hourly earnings and corresponds to a disposable income per capita of USD PPP 2 per day in a typical household of 5 members with a single earner working full-time.	OECD Employment Outlook 2015 (OECD, 2015c, Chapter 5)	Percentage	2009: CHN; 2010: ARG COL IDN; 2011: BRA CHL; 2012: CRI IND MEX RUS TUR ZAF	-
Labour market inclusiveness					
Female employment gap	Employment rate for women minus employment rate for men. Working-age population (age 15-64).	OECD Labour Force Statistics Database	Percentage points	2010: CHN; 2012: IND; 2013: IDN; 2014: BRA; 2015: AUS AUT BEL CAN CHE CHL COL CRI CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA JPN KOR LTU LUX LVA MEX NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA ZAF	2000-10: CHN; 2004-14: BRA; 2004-15: AUS AUT BEL CAN CHE CHL COL CRI CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA JPN KOR LTU LUX LVA MEX NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA ZAF; 2005-12: IND; 2006-13: IDN

Table 2.A1.5. **Documentation of dashboard indicators** *(cont.)*

Indicator	Description	Source	Unit	Latest available year	Mid-2000s to latest available year
Elderly employment gap	Employment rate for elderly (age 55-64) minus employment rate for prime age workers (age 25-54).	OECD Labour Force Statistics Database	Percentage points	2010: CHN; 2012: IND; 2013: IDN; 2014: BRA; 2015: AUS AUT BEL CAN CHE CHL COL CRI CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA JPN KOR LTU LUX LVA MEX NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA ZAF	2000-10: CHN; 2004-14: BRA; 2004-15: AUS AUT BEL CAN CHE CHL COL CRI CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA JPN KOR LTU LUX LVA MEX NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA ZAF; 2005-12: IND; 2006-13: IDN
Youth unemployment gap	Unemployment rate for youth (age 15-24) minus unemployment rate for prime age workers (age 25-54).	OECD Labour Force Statistics Database	Percentage points	2010: CHN; 2012: IND; 2013: IDN; 2014: BRA; 2015: AUS AUT BEL CAN CHE CHL COL CRI CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA JPN KOR LTU LUX LVA MEX NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA ZAF	2000-10: CHN; 2004-14: BRA; 2004-15: AUS AUT BEL CAN CHE CHL COL CRI CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA JPN KOR LTU LUX LVA MEX NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA ZAF; 2005-12: IND; 2006-13: IDN
Foreign-born unemployment gap	Unemployment rate for foreign born minus unemployment rate for native born.	OECD Labour Force Statistics Database	Percentage points	2013: CHL; 2015: AUS AUT BEL CAN CHE CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA LUX MEX NLD NOR NZL POL PRT SVK SVN SWE TUR USA	2004-15: AUS AUT BEL CHE CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ITA LUX NLD NOR NZL POL PRT SVK SVN SWE USA; 2005-15: MEX; 2006-13: CHL; 2008-15: CAN TUR
Long-term unemployment rate	Long-term unemployment refers to people who have been unemployed for 12 months or more. The long-term unemployment rate shows the proportion of these long-term unemployed as a percentage of all unemployed.	OECD Labour Force Statistics Database	Percentage	2015: AUS AUT BEL CAN CHE COL CRI CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA JPN KOR LTU LUX LVA MEX NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA ZAF	2004-15: AUS AUT BEL CAN CHE COL CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA JPN KOR LTU LUX LVA MEX NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA ZAF
Health outcomes and inequalities					
Female life expectancy	Life expectancy at birth for women.	OECD Health Database	Years	2014: ARG AUS AUT BRA BEL CAN CHE CHL CHN COL CRI CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IDN IND IRL ISL ISR ITA JPN KOR LTU LUX LVA NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA ZAF; 2015: MEX	2004-14: AUS AUT BRA BEL CAN CHE CHL CHN COL CRI CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IDN IND IRL ISL ISR ITA JPN KOR LTU LUX LVA NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA ZAF; 2004-15: MEX
Male life expectancy	Life expectancy at birth for men.	OECD Health Database	Years	See female life expectancy.	
Self-reported good health	Percentage of the population, aged 15 years old and above, who report their health to be "good" or "very good".	OECD Health Database	Percentage	2009: CHL; 2013: JPN; 2014: AUS AUT BEL CAN CHE CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA KOR LUX LVA NLD NOR POL PRT SVK SVN SWE TUR USA; 2015: NZL	2003-14: TUR; 2003-15: NZL; 2004-13: JPN; 2004-14: AUS AUT BEL DNK ESP EST FIN FRA GRC IRL ISL ISR ITA LUX NOR PRT SWE USA; 2005-14: CAN CZE DEU GBR HUN KOR LVA NLD POL SVK SVN; 2006-09: CHL; 2007-14: CHE

Table 2.A1.5. **Documentation of dashboard indicators** *(cont.)*

Indicator	Description	Source	Unit	Latest available year	Mid-2000s to latest available year
Health gap between low and high incomes	Difference in perceived health between lowest and highest income quintile. Measured as the percentage of the population among the 20% with lowest incomes reporting good/very good health minus percentage reporting good/very good health among the 20% with the highest incomes.	OECD Health Database	Percentage points	2011: AUS; 2013: CHL JPN; 2014: AUT BEL CAN CHE CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA KOR LUX LVA NLD NOR POL PRT SVK SVN SWE TUR USA; 2015: NZL	2003-13: CHL; 2003-15: NZL; 2004-11: AUS; 2004-13: JPN; 2004-14: AUT BEL DNK ESP EST FIN FRA GRC IRL ISL ISR ITA LUX NOR PRT SWE; 2005-14: CZE DEU GBR HUN KOR LVA NLD POL SVK SVN; 2006-14: TUR; 2007-14: CHE USA; 2008-14: CAN
Child mortality	The probability per 1 000 newborn that a baby will die before reaching age five, if subject to age-specific mortality rates of the specified year.	World Bank World Development Indicators	per 1,000 newborn	2015: ARG BRA CHL CHN COL CRI IDN IND LTU MEX RUS TUR ZAF	2004-15: ARG BRA CHL CHN COL CRI IDN IND LTU MEX RUS TUR ZAF
Access to sanitation	Share of population with access to improved sanitation facilities.	World Bank World Development Indicators	Percentage	2015: ARG BRA CHL CHN COL CRI IDN IND LTU MEX RUS TUR ZAF	2004-15: ARG BRA CHL CHN COL CRI IDN IND LTU MEX RUS TUR ZAF
Skills and equality of educational opportunity					
Upper secondary education share	Share of the population (age 25-64) having completed at least upper secondary education level.	OECD Education at a Glance Database	Percentage	2010: CHN; 2013: CHL IDN RUS; 2014: BRA FRA ZAF; 2015: AUS AUT BEL CAN CHE COL CRI CZE DEU DNK ESP EST FIN GBR GRC HUN IRL ISL ISR ITA KOR LTU LUX LVA MEX NLD NOR NZL POL PRT SVK SVN SWE TUR USA	2000-10: CHN; 2004-14: FRA; 2004-15: AUS AUT BEL CAN CHE CZE DEU DNK FIN GBR GRC HUN IRL ISL ISR ITA KOR LUX LVA MEX NLD NOR POL PRT SVK SVN SWE TUR USA; 2005-15: ESP EST LTU; 2006-13: IDN; 2007-13: CHL; 2007-14: BRA; 2009-14: ZAF
Mean PISA score in mathematics	Mean PISA score in mathematics across all students (age 15).	OECD PISA Results	Score point	2015: ARG AUS AUT BRA BEL CAN CHE CHL COL CRI CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IDN IRL ISL ISR ITA JPN KOR LTU LUX LVA MEX NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA	2006-15: ARG AUS AUT BRA BEL CAN CHE CHL COL CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IDN IRL ISL ISR ITA JPN KOR LTU LUX LVA MEX NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA; 2009-15: CRI
Variation in PISA math scores	Variance of PISA scores in mathematics.	OECD PISA Results	Percentage	See mean PISA score in mathematics.	
Low-performing students in literacy	Percentage of students in PISA failing to reach a baseline level of proficiency in reading (scoring below level 2).	OECD PISA Results	Percentage	2015: ARG AUS AUT BRA BEL CAN CHE CHL COL CRI CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IDN IRL ISL ISR ITA JPN KOR LTU LUX LVA MEX NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA	2006-15: ARG AUS AUT BRA BEL CAN CHE CHL COL CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IDN IRL ISL ISR ITA JPN KOR LTU LUX LVA MEX NLD NOR NZL POL PRT RUS SVK SVN SWE TUR; 2009-15: CRI USA
Impact of socio-economic background in PISA: slope	The slope is the regression coefficient for the ESCS (economic social and cultural status) from a single-level bivariate regression of mathematics performance on the ESCS. See OECD (2013a) for more details.	OECD PISA Results	Score point difference associated with one unit on the ESCS	2015: ARG AUS AUT BRA BEL CAN CHE CHL COL CRI CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IDN IRL ISL ISR ITA JPN KOR LTU LUX LVA MEX NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA	2006-15: ARG AUS AUT BRA BEL CAN CHE CHL COL CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IDN IRL ISL ISR ITA JPN KOR LTU LUX LVA MEX NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA

Table 2.A1.5. **Documentation of dashboard indicators** *(cont.)*

Indicator	Description	Source	Unit	Latest available year	Mid-2000s to latest available year
Impact of socio-economic background in PISA: strength	Percentage of explained variance in student performance from a single-level bivariate regression of mathematics performance on the ESCS. See OECD (2013a) for more details.	OECD PISA Results	Percentage	See Impact of socio-economic background in PISA: slope	
NEET share	Percentage of young people (age 15-29) neither in employment nor in education or training.	OECD Education at a Glance Database.	Percentage	2013: CHL KOR; 2014: BRA JPN; 2015: AUS AUT BEL CAN CHE COL CRI CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA LTU LUX LVA MEX NLD NOR NZL POL PRT RUS SVK SVN SWE TUR USA	2005-14: JPN; 2005-15: AUS AUT BEL CAN CHE CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA LTU LUX MEX NLD NOR NZL POL PRT SVK SVN SWE TUR USA; 2009-13: CHL
Mean PIAAC score in literacy	Mean PIAAC score in literacy proficiency across all adults (age 16-65).	Survey of Adult Skills (PIAAC) (2012)	Score point	2012: AUS AUT BEL CAN CZE DEU DNK ESP EST FIN FRA GBR IRL ITA JPN KOR NLD NOR POL SVK SWE USA	2012: AUS AUT BEL CAN CZE DEU DNK ESP EST FIN FRA GBR IRL ITA JPN KOR NLD NOR POL SVK SWE USA
Gender literacy score gap (PIAAC)	Female mean PIAAC score in literacy minus male mean PIAAC score in literacy.	Survey of Adult Skills (PIAAC) (2012)	Score point	2012: AUS AUT BEL CAN CZE DEU DNK ESP EST FIN FRA GBR IRL ITA JPN KOR NLD NOR POL SVK SWE USA	2012: AUS AUT BEL CAN CZE DEU DNK ESP EST FIN FRA GBR IRL ITA JPN KOR NLD NOR POL SVK SWE USA
Low-performing adults in literacy	Percentage of adults (age 16-65) scoring below level 2 in literacy proficiency.	Survey of Adult Skills (PIAAC) (2012)	Percentage	2012: AUS AUT BEL CAN CZE DEU DNK ESP EST FIN FRA GBR IRL ITA JPN KOR NLD NOR POL SVK SWE USA	2005-14: JPN; 2005-15: AUS AUT BEL CAN CHE CZE DEU DNK ESP EST FIN FRA GBR GRC HUN IRL ISL ISR ITA LTU LUX MEX NLD NOR NZL POL PRT SVK SVN SWE TUR USA; 2009-13: CHL

Chapter 3

Reform agenda for 2017: Overview and country notes

This chapter presents the country-specific policy priorities and underlying recommendations to achieve high and inclusive growth. It starts by reviewing how countries rank in terms of GDP per capita and income inequality. This is followed by a cross-country examination of Going for Growth *recommendations by policy areas. The chapter ends with individual country notes, which provide a rationale for the selection of the five policy priorities in terms of the performance weaknesses they are intended to address, as well as concrete recommendations to remedy the perceived shortcomings in the related policy area. Each OECD country is covered, as well as the European Union as a whole. There are also country notes for a number of non-OECD countries such as Brazil, Colombia, the People's Republic of China, India, Indonesia, Russian Federation, and South Africa and, for the first time, Argentina, Costa Rica and Lithuania.*

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.

Introduction

This chapter presents the *Going for Growth* policy priorities and underlying recommendations to achieve high and inclusive growth. In doing so, it summarises the information laid-out in the individual country notes reported at the end of the chapter. The cross-country dimension of *Going for Growth* reflected in this chapter facilitates the transfer of knowledge about domestic policy reforms, allowing for lessons to be drawn from successes and failures. At the same time, the selection of country-specific policy priorities and recommendations detailed in individual country notes allows for domestic considerations, such as differences in income levels, institutional capacities and the stance of macro policies, to be taken into account, avoiding thereby "one-size-fits-all" policy prescriptions.

In this year's publication, the country notes have two new features. First, the policy objective of boosting growth is now accompanied by the complementary goal of making it more inclusive, as discussed in Box 1.2 of Chapter 1 and in Chapter 2. This is reflected in the country notes, where concerns about inclusiveness and in particular inequality developments are also explicitly discussed, with additional tables and figures introduced to show recent trends.

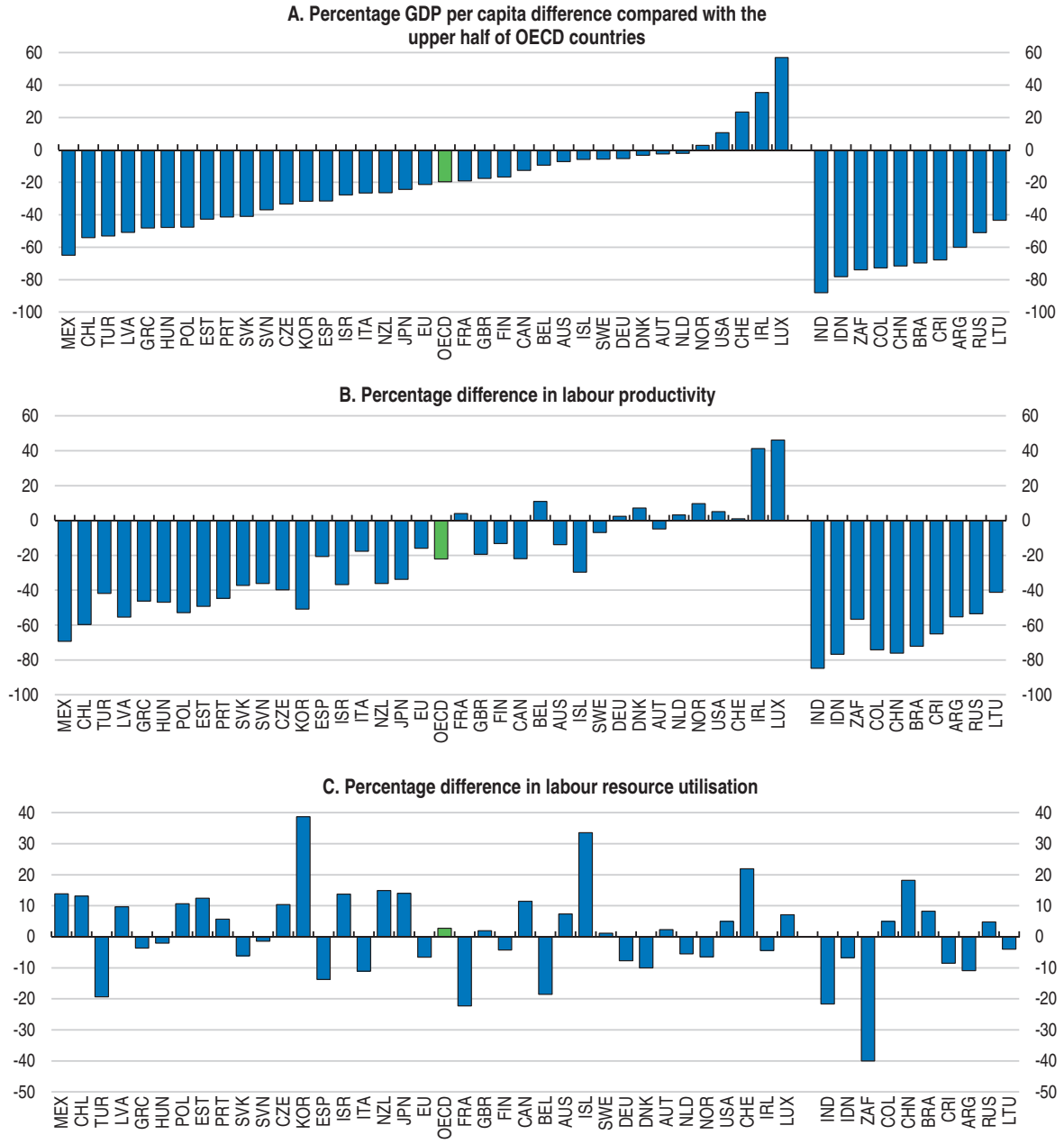
Second, to ensure that priorities do reflect the most pressing challenges faced by countries, some of the previous priorities have been left out from the top five, even if insufficient progress has been achieved. This is to allow for the introduction of new priorities in areas that are seen as most pressing and likely to have a more significant influence on inclusive growth. Such cases are highlighted in the introductory section of the country notes, where it is also emphasised that, in some cases, even if these priorities are no longer among the five most pressing challenges, there is still a need for additional policy action.

GDP per capita and inequality differences across countries

Gaps in GDP per capita relative to the average of the upper half of OECD members can be decomposed into contributions from hourly labour productivity and labour utilisation (Figure 3.1). What stands out from this accounting exercise is the strong link between the cross-country dispersion of income per capita and that of labour productivity, and the weakness of the link with labour utilisation. The decomposition reveals different groups of countries:

- *Top and bottom income countries*: For both top income countries and the dozen or so countries with the lowest levels of GDP per capita, the difference vis-à-vis the average of the upper-half is accounted for mostly by labour productivity.
- *Average income countries with offsetting gaps*: Most of the average income countries can be split into two groups. In the case of many northern European countries (e.g. Belgium, Denmark, France, Germany and the Netherlands), relatively high productivity is offset by low labour utilisation.[1] The opposite pattern holds for countries outside Europe (e.g. Australia, Canada, Japan and Korea), as well as for some Nordic countries, Austria and the United Kingdom, where labour utilisation above the average is offset by low productivity.

Figure 3.1. **Differences in GDP per capita are mostly accounted for by productivity gaps,[1] 2015**



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. Labour productivity is measured as GDP per hour worked for OECD countries and as GDP per employee for non-member countries. Labour resource utilisation is measured as the total number of hours worked per capita and as employment as a share of population for non -member countries. 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. 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*; 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 and Latvia; 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.

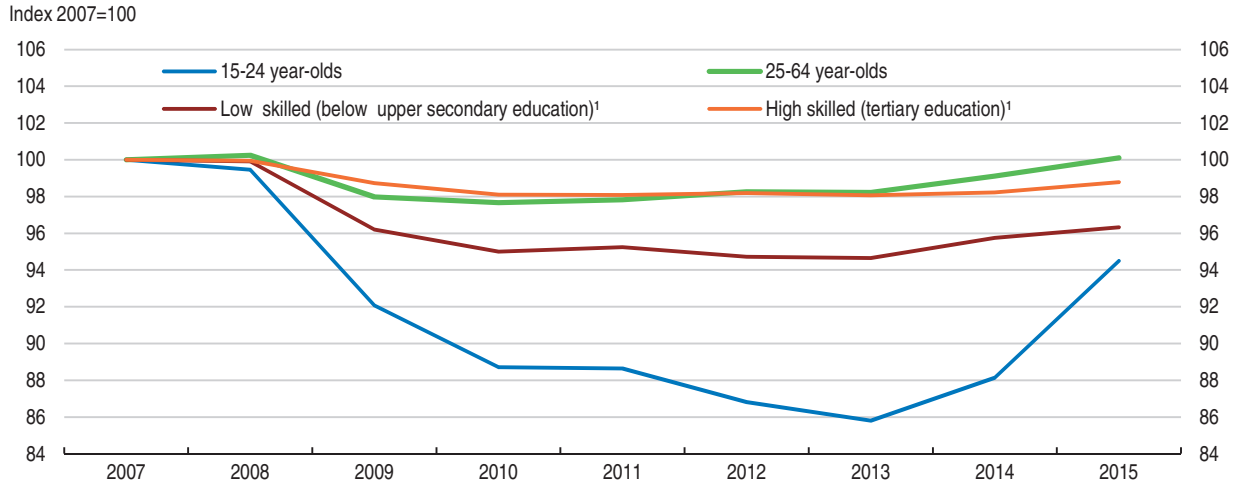
StatLink http://dx.doi.org/10.1787/888933454870

- *Countries with both gaps*: for some Eastern and Southern European countries (e.g. Greece, Hungary, Italy, the Slovak Republic and Spain) and for Turkey, gaps in GDP per capita are explained by gaps in both labour productivity and utilisation.

The fact that productivity is the main driver of growth in the long run should by no means reduce the relevance of labour utilisation-enhancing reforms, in particular to facilitate the participation of under-represented groups in the labour force and to tackle labour insecurity (see Chapter 2). In addition to helping close gaps and bringing higher levels of GDP per capita, a job-rich growth would contribute to achieve other objectives, such as reducing income inequalities and promoting a more inclusive society, as growth through labour utilisation gains tends to benefit disproportionately the bottom of the income distribution (Hermansen et al., 2016). It would also contribute to improve the situation of youth, whose bleak labour market situation (Figure 3.2) remains the most negative and enduring legacy of the recession and the subsequent weak recovery despite some slight recent improvement.

Figure 3.2. **Employment rates remain below their pre-crisis levels, especially for youth and low-skilled**

As a percentage of population in the same age group, OECD average



1. Refers to 25-64 year-old workers.
Source: OECD, *Education at a Glance Database*.

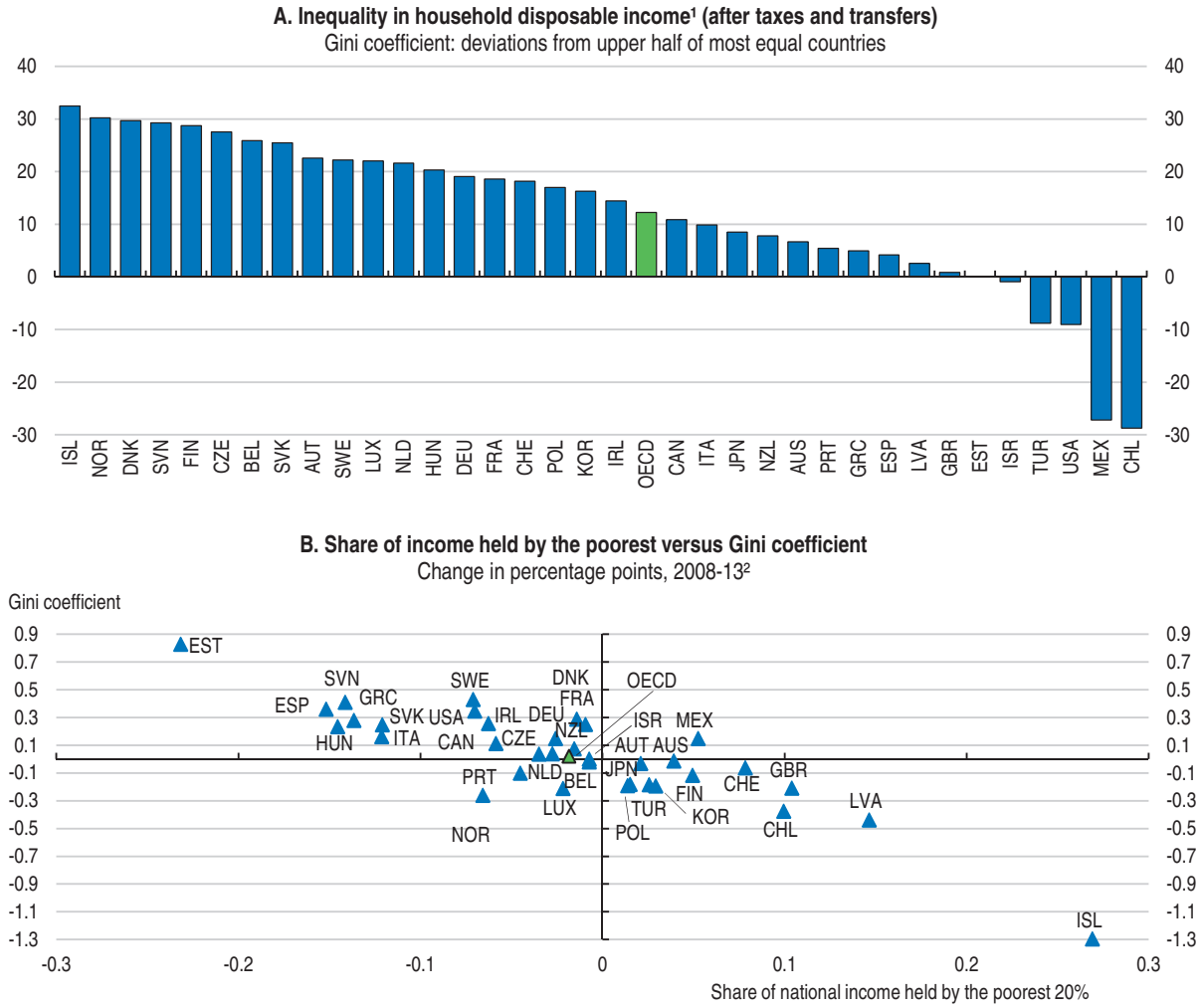
StatLink http://dx.doi.org/10.1787/888933454887

The degree of income inequality also differs significantly across OECD countries. Such differences can be highlighted by analysing summary indexes of dispersion (the best known of them being the Gini index) of the underlying income distribution. Examining gaps in Gini indexes vis-à-vis the upper-half of the most equal members of the OECD (Figure 3.3, Panel A) reveals:

- Cross-country differences are large, with the group of least equal countries (Chile, Mexico and Turkey) having a gap generally twice as large as the most equal countries (e.g. Denmark, Iceland, Norway and the Slovak Republic).
- When considering additional inequality measures, trends since the onset of the crisis diverge for some countries, highlighting that inequality movements did not operate in the same way for all countries (Figure 3.3, Panel B). While in most cases an increase (resp. decrease) in the Gini coefficient has been accompanied by a decrease (resp. increase) in the

Figure 3.3. **The degree of income inequality differs substantially across countries**

Percentage gap compared with the upper half of the distribution, 2013



1. For the Gini coefficient, data refer to 2014 for Australia, Finland, Hungary, Israel, Korea, Mexico, the Netherlands and the United States, 2012 for Japan. For GDP per capita, data refer to 2014.
2. Change over 2008-14 for Finland, Israel, Korea, Mexico, the Netherlands and the United States; 2007-14 for Hungary, 2007-13 for Turkey; 2009-12 for Japan; 2008-12 for New Zealand.

Source: OECD, *Income Distribution, National Accounts and Productivity Databases*.

StatLink http://dx.doi.org/10.1787/888933454893

share of national income accruing to the poorest 20%, for some countries where overall inequality has increased according to the Gini coefficient, the share of income held by the poorest 20% remained stable or even increased (Australia, Mexico). Conversely, in some countries where overall inequality has decreased, the share of income held by the poorest 20% also decreased (e.g. the Netherlands, Norway and Portugal). This reflects the granularity of challenges faced by countries to tackle inequality and promote inclusive growth.

Overview of policies to enhance labour utilisation

Making the labour market more gender inclusive

Although recent progress has been achieved, gender gaps are still large in many OECD countries, both in terms of labour force participation and earnings (OECD, 2016a). Achieving

greater gender equality would increase long-term growth and would make it more inclusive, both in OECD countries and in emerging economies (see also Chapter 2). It would also help to partly offset the impact of ageing on labour market participation across OECD countries. Hurdles in the labour market and difficulties associated with reconciling work and family life often mean either exclusion from the labour market or involuntary part-time work for women. While significant actions have been taken in this area (see Chapter 1), recommendations are made to further enhance female labour force participation and full-time jobs opportunity, and to help parents balance work and family responsibilities (Table 3.1).

Table 3.1. **Recommendations to make the labour market more gender inclusive**

Expand access to quality childcare	ARG	AUS	AUT	CHE	CHL	COL	CRI	CZE	DEU	EST	JPN	KOR	LTU	LUX	MEX	NZL	POL	SVK	TUR	USA
Remove tax and benefit disincentives	AUT	CHE	DEU	JPN	LUX	SVK	SVN													
Increase access for childcare for immigrants/refugees/minorities	BEL	CHE	DEU	LUX	NZL															
Improve parental leave policies	CZE	FIN	KOR	SVK	USA															
Implement corporate governance code/quotas	ARG	CHE																		
Align the official retirement age for women with that for men	AUT	CHE																		

A key recommendation in *Going for Growth* is to increase the provision of childcare facilities. Differences in the availability of affordable, high-quality childcare is an important factor explaining cross-country varied performance in women's labour market participation (OECD, 2012a). This is an area where the scope for progress and potential pay-off is particularly high in emerging economies (Mateo-Diaz and Rodriguez-Chamussy, 2013). Attendance to pre-primary education also decreases the likelihood of low performance in secondary education, even after controlling for socio-economic factors (OECD, 2016b). Thus, facilitating access to good quality childcare can offer the double dividend of encouraging greater female labour participation and mitigating social inequalities. Improving access to childcare facilities for the most disadvantaged families, including those of immigrant background, refugees and minorities (see below), is therefore recommended in many countries (Germany, Belgium, Switzerland and Luxembourg). Quality standards should also be monitored, improved and kept uniform across the system, so that the equalizing effect of investing in childcare can be achieved.

The disincentives embedded in tax and transfer systems are another barrier to full-time employment. For example, disincentives to work should be removed for second earners or lone parents (Austria, Germany, Japan, Luxembourg, the Slovak Republic and Switzerland), as well as disincentives to move from part-time to full-time work (Austria). Family benefits should also be better designed and targeted (e.g. Czech Republic or Slovenia). Promoting more gender-equal parental leave systems is also fundamental to closing gender gaps. Introducing paid parental leave (United States), facilitating its take-up (Korea) or encouraging a higher incidence of paternity leave (Czech Republic and the Slovak Republic) are recommended, depending on country specific circumstances.

Aside from these policies directly aimed at facilitating the access of women to the labour market, reforms in other policy areas would also help achieve this objective. Implementing corporate governance codes establishing gender goals in management can contribute to enhance diversity and improve economic outcomes (Argentina and Switzerland), as exemplified by Norway, the pioneer in using gender quotas for corporate boards (Sorsa, 2016). Fostering active labour market policies would also contribute to close existing gender gaps, as women tend to benefit most from them (Bergemann and Van den Berg, 2008). In the same

vein, women tend to be more impacted by labour market dualism (e.g. Korea and Japan), segmentation and informality (e.g. Costa Rica), and thus would benefit most from policy action in the areas of job protection and taxation. Finally, female labour market participation is also influenced in several countries by prevailing social norms concerning the role of men and women towards work and care. Hence, bringing gender issues into the public debate through information campaigns, which is recommended for Argentina, would help to raise awareness for the existence of gender inequalities and for the potential benefits of a more gender-inclusive society.

Integrating migrants and minorities

The share of the foreign-born population has increased significantly across the OECD, reaching now nearly 10% of total population. Second-generation immigrants are also numerous and heterogeneous and several OECD countries host 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 helping to offset ageing effects on labour participation. 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 short-term 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 3.2).

Table 3.2. **Recommendations for the integration of immigrants, refugees and minorities**

Provide language acquisition support	BEL	DEU	DNK	EU	SWE
Improve training	DEU	DNK	LVA	SWE	
Expedite recognition of skills/qualifications	BEL	DEU	SWE		
Improve information/monitoring of the situation of minorities	AUS	NZL	SVK		
Implement strategy for integrating second generation into the education system	DNK				
Integrate refugees in mainstream schools	DEU				
Streamline immigration processing and improve visa programmes	DNK				

Particular attention is needed in the initial stages of education. Participation in early childhood education and care programmes among immigrant children is considerably lower than among native-born workers (OECD, 2015a). At the same time, immigrant students who participated in early childhood education programmes scored 49 points higher in the PISA reading assessment than immigrant students who did not attend (OECD, 2015a). This difference corresponds to one extra year of education. Hence, efforts to promote and facilitate the use of childcare facilities by immigrants (e.g. Belgium and Switzerland), refugees (e.g. Germany), minorities (e.g. Slovak Republic), and a better targeting of early childhood education for groups with low participation (New Zealand) are recommended. While attendance to early childhood education is key to reducing language handicaps, action is also needed in primary and secondary education, where language proficiency should be assessed systematically and additional language acquisition support provided when needed (e.g. Belgium and Germany). Ensuring that immigrants and minorities are integrated in mainstream schools (Germany), while targeting more resources to disadvantaged schools (Slovak Republic), is also recommended.

Across the OECD, immigrants tend to be at a higher risk of being overqualified than native-born workers, i.e. they are more likely to be educated beyond what is necessary for a job (OECD, 2012b). High over-qualification rates imply risks of entering a cycle of brain gain, waste and drain, whereby OECD countries could be initially successful in attracting highly qualified workers, but they are unable to fully utilise their human capital, which depreciates over time. Eventually those workers are likely to move to a third country or return home. International experience suggests also that, across countries, about one-third of immigrant over-qualification rates can be explained by weaker linguistic skills (Bonfanti and Xenogiani, 2014). Therefore, increasing support for language training for adults (e.g. Sweden, the European Union), along with facilitating training (Germany, Denmark and Latvia) and promoting fast-track recognition of professional qualifications gained abroad (Germany and Sweden) would contribute to making the most of immigrant workers and would facilitate smoother integration into the labour markets as well as raising productivity.

These policy recommendations are also pertinent for minorities, whose weak educational outcomes hinder their access to the labour market (Slovakia). More generally, it is also recommended to improve the information available and to assess more thoroughly the situation and challenges minorities face (New Zealand and the Slovak Republic), so that adequate policies can be deployed to narrow existing gaps in socio-economic opportunities and outcomes, including in the health area.

Strengthening social benefits and active labour market policies

Giving people help and support to access good jobs is essential to foster inclusive growth. Unemployment benefits, social protection and active labour market policies are aimed at providing income support during unemployment spells and facilitate the return to work via job-counselling or training. In addition to contributing to raising employment rates, they help to achieve a better matching of workers and skills, and hence can improve resource allocation (Andrews and Saia, 2016) and productivity. Hence, previous issues of *Going for Growth* have emphasised the need for further progress in this area. Reforms in these areas have overall lost steam, which raises some concerns given the high youth and long-term unemployment rates. Thus, more efforts are needed (Table 3.3).

Table 3.3. **Recommendations on active labour market policies and social benefits**

Active labour market policies											
Increase spending on activation	ARG	ESP	EST	GBR	GRC	ISR	LVA	LTU	SVN	USA	ZAF
Expand some specific programs (e.g. for the long-term unemployed)	ESP	GRC	HUN	IRL	JPN	KOR	NZL	USA	ZAF		
Improve efficiency of activation policies	ESP	GBR	ITA	LUX	NLD	SVK	SVN				
Focus on key risks groups	EST	FIN	FRA	ISL	NLD	SVN	TUR				
Better enforce mutual obligation	IRL	FIN	FRA								
Improve coordination between different government levels	ESP	ITA	LVA								
Social benefits											
Restructure benefits to increase work incentives	FIN	IRL	ISL	LVA	LUX	NLD	SVN	ZAF			
Improve targeting	BRA	IDN	IRL	ITA	LVA	LUX	SVN	USA			
Expand the coverage of social benefits	CHN	GRC	JPN	LTU	LVA						
Eliminate regressive subsidies	ARG	IDN									

As regards activation policies, many countries need to boost resources (Argentina, Estonia, Greece, Israel, Latvia, Lithuania, Slovenia, South Africa, Spain and the United Kingdom) and improve efficiency (Spain, Italy, United Kingdom and Netherlands). This is particularly important in countries with high and sustained long-term and youth

unemployment rates, and also in countries where large segments of the population are facing important difficulties to access the labour market. Recommendations typically include improving the co-ordination between the different levels of government involved in the administration, financing and delivery of labour market policies (Italy, Latvia and Spain), and focusing on key risks groups such as young or displaced workers (Estonia, Finland, France, Netherlands, Turkey and Slovenia). There is also a need to expand some specific programmes, which have been found to be particularly effective in improving employability (Ireland). For that it is fundamental to put in place sound and systematic evaluation of policies (Spain). Evaluation of labour market programmes is well established in some OECD countries, but other countries should take more concrete steps in this field.

Activation policies have been found to be most effective when they are based on the mutual obligation principle, whereby the unemployed receive income and employment support while in return they are required to participate actively in job search and training (Martin 2000; Kluve 2006; OECD, 2015b). Consequently, countries should continue their efforts to reinforce the mutual obligation approach, for example by enforcing more systematically mandatory job-search and reporting requirements (Finland, France) or by defining more clearly what is considered a suitable job offer (Ireland). In the same vein, restructuring unemployment benefits so as to better support the return to work remains a prevalent recommendation. This includes withdrawing benefits more gradually when low-income earners take up job (Ireland, Latvia) or tapering unemployment benefits along the unemployment spell (Finland, Luxembourg).

Some countries need also to continue increasing the coverage of social protection, which is generally under-developed. Greece is recommended to fully implement a guaranteed minimum income scheme along with school meal and housing assistance programmes targeted at the poor, while Japan and Korea need to increase the coverage of social protection, as the incidence of labour market duality results in a substantial proportion of the workforce (often those on fixed-term contracts) being currently not covered by the system. Increasing social protection is also important as a way to fight informality. If well designed, extending social protection would contribute to better labour outcomes by increasing the incentives and the feasibility to move to the formal sector, both for the overall population (Chile and Indonesia) and for specific groups (such as older workers in Turkey). In some cases, poorly designed subsidies should be phased out and replaced by targeted transfers to the poorest segment of the population (e.g. Argentina). India is implementing a subsidy reform, replacing several price subsidies by cash transfers. Such an approach should be extended to other subsidies, in particular food, electricity and fertiliser subsidies.

Reforming retirement and disability schemes to reduce premature withdrawal from the labour market

For several years before and after the crisis, pension reform has been high on the agenda of many governments. Countries have launched significant reforms, including raising retirement ages, amending the way entitlements are calculated and introducing measures to generate savings in their pension systems. The crisis has been a major accelerator of such reforms, not least reflecting the pursuit of fiscal consolidation objectives as well as financial market pressure to signal commitment for debt sustainability (OECD, 2013a). It is therefore not surprising that, after these efforts, the need to implement pension reforms in order to encourage a longer working life is waning. Accordingly, for this issue of *Going for Growth*, only a few countries have a priority in this area (Table 3.4), and the most common recommendation

Table 3.4. **Recommendations on retirement and disability policies**

Increase statutory retirement age	AUT	CHE	HUN	LUX	POL	SVN	TUR
Limit access to early retirement	AUT	CHE	HUN	LUX	SVN		
Review criteria to access disability/sickness benefits	AUT	ISL	NOR				
Increase portability of pension rigths	DEU	EU					
Focus special schemes on elderly with low income	KOR						
Adjust pension benefit indexation formula	SVN						
Make continuing working after retirement more attractive	TUR						

is to tighten some early exit routes from the labour market (Luxembourg, Poland, Slovenia and Turkey) in order to raise older workers' employment rates.

The pension system should also ensure sufficient living standards for the elderly in countries where this group is facing a higher poverty risk than the overall population (Korea). Likewise, inclusiveness concerns are central for disability benefit schemes, by providing adequate support for individuals whose health status temporarily or permanently prevents them from working and searching jobs. However, these schemes can be sometimes misused and poorly targeted. In such cases, priority should then be given to enhancing the medical assessment of these schemes to reduce the risk of permanent labour market withdrawal (Norway).

Lowering average and marginal taxation of income in particular for low-income workers

High average and – in particular – marginal taxes on labour incomes can reduce individuals' labour supply and raise unemployment, especially for workers with low incomes. They can also reduce firms' labour demand by rising labour costs through employers' contribution and payroll taxes. In countries with weak legal institutions, excessively high social security provisions and tax wedges are also major drivers of informality, reflecting both labour demand and supply side hurdles. Lowering such taxes (including through cuts in social security contributions) is a priority for a large number of countries (Table 3.5), with a particular emphasis on reducing the labour tax wedge for low-wage workers (e.g. Spain, Italy and Poland).

Table 3.5. **Recommendations on labour taxation**

Reduce social security contributions	ARG	AUT	BEL	COL	CRI	DEU	EST	FRA	HUN	ITA	LTU	TUR
Reduce labour tax wedge for low-wage workers	BEL	DEU	ESP	EST	HUN	ITA	LVA	NLD	POL	TUR		
Introduce or expand EITC	ISR	LTU	USA									

Reductions in labour taxes are often recommended as part of policy packages aimed at reducing labour supply distortions sometimes embedded in the overall tax and benefit system (especially for specific groups of the labour force, for example, low earners and second earners or lone parents), at improving the efficiency of taxation (see below), and in association with measures to generate public spending efficiency gains. In some cases they are also accompanied by recommendations to expand or introduce earned income tax credits schemes in order to raise the incentive to work and increase incomes at the lower end of the distribution (Israel, Lithuania and United States). In some non-OECD countries, social security contributions also tend to be relatively high (e.g. Costa Rica and Lithuania). Reducing them is seen as a priority, in particular on segments of the workforce, such as low-skilled, where informality is high.

Reforming labour market regulations and collective bargaining systems

Job protection and labour market dualism

Over the two decades prior to the global financial crisis, many countries promoted flexibility in the labour market by easing regulations on non-regular contracts, i.e. contracts not benefiting from the same degree of protection against termination as permanent ones. At the same time, the relatively stricter regulations on regular contracts have remained largely unchanged. This has led to an expansion of non-regular contracts in a number of OECD countries and to an increase in labour market dualism and segmentation (OECD, 2015b). An excessive use of non-regular contracts can have an adverse impact on both equity and efficiency. Workers on these contracts tend to be young, face a higher degree of job insecurity and carry the burden of cyclical adjustments, suffering from longer and more frequent unemployment spells. This results in skills depreciation and lower productivity. Firms also tend to invest less in non-regular workers (Cabrales et al., 2015), further depressing productivity. Moreover, the probability of moving from the non-regular segment of the labour market to the regular one is low (OECD, 2015b). Thus, non-regular workers tend to be confined to move from one temporary contract to another while regular workers enjoy greater protection and job stability.

A number of specific recommendations are made to address this key policy challenge (Table 3.6). A key recommendation is to increase convergence in protection across contracts (e.g. Chile, Colombia, Korea, Japan, the Netherlands, Spain and Turkey). Increasing convergence across contracts, for example in terms of termination cost, would promote mobility, prevent dualism and lessen inequalities across workers.

Table 3.6. **Recommendations on labour market legislation and dualism**

Tackle dualism and diminish the gap in protection between permanent and temporary contracts	CHL COL ESP JPN KOR NLD SWE TUR
Improve legal certainty for collective or justified individual dissmisals	FRA IND JPN KOR
Reduce severance pay	IDN JPN NLD
Reform employment regulations in some industries	SWE

Recommendations also focus on dismissal legislation for permanent contracts, either by improving legal certainty for collective or justified individual dismissals (e.g. India, Japan, Korea and France) or by reducing severance payments (Indonesia and Netherlands). All these recommendations should be implemented in tandem with adequate income support for the unemployed as well as effective job-search counselling and re-employment services. As a result, *Going for Growth* job protection recommendations are often formulated as part of broader labour market reform packages (see Chapter 1), encompassing advice to improve active labour market policies and social polices – with different emphasis depending on countries' challenges and weaknesses.

Minimum wages and wage bargaining systems

Most (26 out of 35) OECD countries have a form of statutory minimum wage, and their number is increasing, including also in many emerging economies. However, minimum wage levels and wage-setting mechanisms vary markedly across countries, as do their coverage and the level of employer compliance (OECD, 2015b). While minimum wages can have a strong impact on wages at the bottom of the distribution, it is important that they be set at a level balancing the needs to provide adequate living standards with maintaining or creating job opportunities in formal sectors for low-skilled workers. Macroeconomic

conditions and iterations with other policies, such as taxes and benefits, should also be taken into account. As a result, significant cross-country differences can be observed in *Going for Growth* recommendations in this area (Table 3.7).

Table 3.7. **Recommendations on minimum wage and wage bargaining systems**

Promote agreements at firm level and reduce automatic extensions	BEL	FRA	ITA	PRT	ZAF
Avoid a too high minimum wage level and allow for age and regional differentiation	TUR	COL			
Increase minimum wage	KOR	USA			
Reform/Simplify minimum wage	CRI	ZAF			
Reduce excess coverage in wage agreements and streamline workers' representation	FRA				
Provide wage settlements guidelines in line with inflation targets	ZAF				

On the one hand, Korea and the United States are advised to raise the minimum wage as a tool to raise income at the bottom of the earnings distribution, and to accompany them with other tax and benefit measures to effectively fight poverty in and out of work, such as earned income tax credits. On the other hand, in countries with a large informal sector (e.g. Colombia or Turkey) it is important to avoid that an excessively high minimum wage level deters the creation of formal jobs. Allowing minimum wages to vary by group (to reflect differences in productivity or employment barriers) or by region (to reflect differences in economic conditions) is also recommended. Moreover, simple minimum wage systems are also most likely to achieve high compliance. Consequently, too complex minimum wage structures should be avoided (Costa Rica).

The cost of labour can also be driven to levels that are detrimental to employment by collective wage agreements, which in some countries are administratively extended to workers and employers who are not party to the original negotiations. Recommendations emphasise avoiding the automatic extension of wage agreements and promoting wage bargaining at the firm level in some countries (e.g. Portugal and Italy). Reforms along these lines increase the responsiveness of wages to labour market conditions and help to preserve jobs in downturns. Increasing the representativeness of the collective bargaining system or bringing wage agreement coverage more in line with union membership are also recommended (e.g. France and Portugal).

Reforming housing market policies to facilitate mobility

Restrictive housing policies such as strict rent regulation can hamper housing investment and supply and limit labour mobility, thus potentially raising structural unemployment and reducing the matching between workers and jobs (Adalet McGowan and Andrews, 2015). They can also discourage capital mobility and contribute to resource misallocation by distorting the price responsiveness of construction to supply and demand. Additionally, overly stringent planning and zoning can also entail some financial instability by raising house price levels and volatility, as well as undermine competition and productivity in certain sectors such as retail trade (OECD, 2011). However, as in other policy areas, housing, zoning and planning policies can raise some trade-offs with equity objectives, such as social housing, which is an important tool to improve access to affordable housing for the most vulnerable but which can also act as a barrier to labour mobility.

The main recommendations in this area aim at avoiding policy distortions that act as a drag on labour mobility and productivity, and include (Table 3.8): i) reducing excessive rent

Table 3.8. **Recommendations on housing, planning and zoning policies**

Ease planning and construction regulations	FIN	GBR	LUX	NZL	POL	SWE
Reduce/Eliminate preferential tax treatments	DNK	LUX	NLD	SVK	SWE	
Reduce rent regulation	DNK	NLD	SWE			
Improve targeting of social housing/subsidies	DNK	NLD				
Increase the supply of social housing	LUX	GBR				
Reduce housing subsidies	DNK					

regulations, which can lead to a decline in the supply of rental accommodation and to upward price pressure in urban areas (e.g. Denmark, Netherlands or Sweden); ii) easing planning and zoning regulations, which prevent agglomeration economies (e.g. New Zealand) or that housing supply adjusts to demand (e.g. United Kingdom); iii) removing distortions in the tax system, such as the generous tax treatment of home ownership or interest rates subsidies, which contributes to labour and capital misallocation (e.g. Luxembourg and the Slovak Republic) and can increase the risk of housing bubbles (Sweden). To promote greater equality in housing access, some countries are also recommended to raise the supply of social housing where clear shortages are identified (Luxembourg and United Kingdom).

Overview of policies to enhance labour productivity performance

Reducing regulatory barriers to domestic and foreign competition

A broad range of firm, industry and macro-level evidence illustrate the impact of product market regulation on the pace of convergence in productivity levels to technologically advanced economies. Product market regulation can also affect aggregate productivity through its impact on the capacity of the economy to allocate capital and labour resources to fast-growing sectors. Estimates of the potential impacts of product market reform point to a strong pay-off, with the long-term gains in living standards realised relatively rapidly[2]. Moreover, recent empirical evidence suggest that product marker reforms could be inclusive in that they tend to lift incomes of the household across the distribution, leaving inequality broadly unchanged (Causa et al., 2016).

Against the background of large productivity gaps despite rapid convergence during the last decade, all of the non-member countries but Colombia have at least one product market reform priority. A number of such reforms are targeted at network and infrastructure sectors where lower-income countries face substantial shortages. Such recommendations are therefore often formulated in association with increases in infrastructure provision. Despite progress achieved over the last decade (Koske et al., 2015), product market reforms remain also a priority for a large majority of OECD countries – in particular European countries. In the context of near zero inflation, they could facilitate adjustments in unit labour costs and the reallocation of resources across firms, as well as boost short-term growth and jobs creation (Bouis et al., 2012). Stronger competition and lower barriers to entry, especially in services where there is pent-up demand, would help ensure that the protracted period of wage stagnation in several countries result in lower consumer prices rather than higher profits as well as in greater job creation in the context of high structural unemployment. Hence, product market reforms are not only important per se, but also as a necessary complement to labour market reforms. Moreover, some of these reforms in specific services can boost short-run demand and create jobs even in a weak conjuncture (OECD, 2016c), as is currently the case in many OECD countries.

Table 3.9 summarises policy recommendations in the area of product markets. Streamlining permits and licensing and cutting red tape is needed in many OECD (e.g. Canada, Greece and Slovenia) and non-OECD countries (e.g. China, India and Indonesia). Introducing or extending the use of regulatory impact assessments, whereby the positive and negative effects of regulations are systemically and critically assessed, is also recommended for several OECD countries (e.g. Greece and Israel). Greater action is also needed to improve bankruptcy procedures as a way to rehabilitate viable firms and close down unviable ones, allowing reallocating capital to new and more productive firms (e.g. Italy and Poland). Strengthening competition frameworks, including competition authorities and regulators, is also recommended in some OECD countries (e.g. Greece and Hungary) and non-OECD ones (e.g. Costa Rica). Reducing the scope of public ownership is specifically advocated for some countries such as Latvia and China, where state intervention is particularly widespread, with evidence that this hurts efficiency. In other countries where the role of state-owned enterprises is pervasive in many sectors, it is recommended to improve their governance (e.g. Costa Rica and Lithuania), for example by adopting the OECD Guidelines on Corporate Governance of State-Owned Enterprises.

Table 3.9. **Recommendations on regulations for domestic and foreign firms**

Economy wide regulations																
Streamline permits/lincensing/red tape	AUS	BEL	CAN	CHL	CHN	CRI	GRC	HUN	IDN	IND	IRL	ISR	LVA	POL	SVN	ZAF
Introduce or expand regulatory impact assessment	DEU	EU	GRC	HUN	ISR	KOR	MEX	ZAF								
Strenghten competition and regulatory authorities	CRI	DNK	GRC	HUN	ISL	LVA	POL	ZAF								
Improve bankruptcy procedures	AUS	EST	EU	ITA	POL	PRT	ZAF									
Improve competition framework	ARG	CHL	CRI	CZE	HUN	JPN										
Reduce the scope of public ownership	CZE	DEU	NOR	NZL	POL	SVN										
Improve SOEs governance	CRI	CZE	LVA	LTU	ZAF											
Set one stop shops	CHN	CRI	IND													
Facilitate firm entry	MEX	POL														
Ensure country-wide implementation	CHN															
Sector specific regulatory burden																
Professional services	AUT	BEL	CAN	DEU	ESP	FRA	IRL	LVA	LUX	MEX	PRT	SVN				
Retail	AUT	BEL	CAN	CZE	FIN	FRA	HUN	IRL	LUX	MEX	NOR					
All network sectors	BEL	CZE	GRC	HUN	LVA	NOR	TUR	ZAF								
Energy	CAN	EST	HUN	ISR	JPN	ZAF										
Banking	CRI	IND	ISR	JPN	MEX											
Transport	DEU	ESP	MEX	NOR												
Services	BEL	DNK	EU	KOR												
Post	DEU	JPN	NOR													
Ports	ESP	IRL	PRT													
Construction	FIN	DNK														
Telecommunications	DEU															
Barriers to trade and FDI																
Reduce barriers to trade	ARG	BRA	CHE	GRC	ISR	JPN	KOR	NOR	NZL							
Reduce barriers to FDI	ARG	CAN	CHN	EU	IDN	JPN	MEX	NZL								

Not only economy-wide but also sector-specific administrative burdens are still a problem in many countries, and most countries are advised to further reduce sector-specific barriers to competition. The need to reduce entry barriers in professional services is particularly acute across the OECD (e.g. Austria, Germany and Spain). At the same time this reform offers a large potential payoff, as it can stimulate demand in the short-run (OECD, 2016b). Furthermore, increasing competition in such sectors will positively spill over across the whole economy, since professional services are inputs for nearly all firms. Other sectors in need of reform range from retail (e.g. Greece) to network industries (e.g. Turkey) or ports (e.g. Portugal). In particular, removing policy distortions in services in Japan and Korea would help boost overall productivity and close the large productivity gaps with leading OECD countries.

Reducing barriers to trade and foreign direct investment (FDI) should also be given priority, especially in emerging-market countries such as Argentina, Brazil and Indonesia with large productivity gaps. Greater openness to trade and FDI can unleash productive potential by raising the scope for cross-borders knowledge diffusion and boosting competition (Andrews and Cingano, 2012). The participation in Global Value Chains (GVC) – activities where goods and services cross several borders along different value-added stages – has allowed lower-income countries to access world demand and advanced technologies without having to develop an entire industry. Nevertheless, trade within GVCs can magnify the negative impact of tariff and non-tariff trade barriers (OECD, 2013b). This makes it all the more important to reduce such barriers in countries where they remain too high. In addition, enhancing trade facilitation, notably by measures to modernise and simplify customs procedures, would improve the capacity to export and import high-quality inputs (Moïse and Sorescu, 2013). Increased exposure to FDI can also encourage integration into GVCs and boost productivity through technology transfer and the provision of sophisticated inputs. Recommendations in this area cover both specific sectors where restrictions are a particular concern and more broadly, the transparency of screening procedures.

Raising the efficiency of R&D and innovation policies

Innovation-related reforms boost productivity both by advancing the technology frontier (mainly in advanced OECD countries) and by speeding up the adoption of existing technology (in less advanced OECD and non-member countries). Combined with appropriate framework policies in the area of education, infrastructure and product market regulations, reforms of specific innovation policies – including public support measures – could help raise business expenditure on R&D, an area where performance is highly heterogeneous across countries (Andrews and Criscuolo, 2013). There is no clear evidence to suggest that higher aggregate R&D spending per se leads to higher dispersion in household disposable income for households, even if they may lead to higher wage dispersion (OECD, 2016d). However, some evidence indicate that the income gains from innovation activities reflected in the number of patent applications, may be less equally distributed as the income of households in the lower half of the distribution does not seem to benefit (Causa et al., 2016). Furthermore, related studies that not only focus on inequality of income, but also on inequality of opportunities, indicate that promoting innovation is positively correlated with social mobility. As innovativeness in an economy rises, children become more likely to be either higher up or lower down in the income distribution than their parents (Aghion et al., 2015, 2016).

Innovation policies that reduce the productivity dispersion across firms may also diminish labour income inequality (OECD, 2016d). Results from firm-level data suggest that more R&D collaboration between universities and firms reduces the productivity gap between the less productive and most productive firms (Andrews et al., 2015), as R&D collaboration with universities facilitates technological diffusion by providing smaller firms with access to sources of knowledge, such as advanced machinery or skilled scientists. Thus, initiatives to encourage R&D collaboration between universities and firms can make productivity more inclusive. Specific recommendations to strengthen such collaboration are made for Australia, Chile, Colombia, Ireland, Estonia, Luxembourg, Portugal and Slovenia (Table 3.10).

Other recommendations aim at increasing R&D incentives by achieving a better balance between tax incentives and direct grants, not least to avoid penalizing innovative young

Table 3.10. **Recommendations on R&D and innovation**

Strengthen collaboration between research centers/universities and industry	AUS	CHL	COL	CRI	EST	IRL	ISL	ITA	LUX	PRT	SVN
Evaluate/reform R&D tax credits	AUS	CAN	ISL	NZL	PRT	USA					
Improve coordination of public policies	AUS	COL	CRI	CZE	EST						
Rebalance direct and indirect support	GBR	IRL	NLD	POL							
Develop technology clusters	MEX	POL									
Improve links between domestic and foreign firms	CRI	MEX									
Increase direct and indirect (tax incentives) support	GBR										
Increase direct support	NLD										
Increase indirect support	CZE										
Make R&D tax credits refundable for new firms	USA										

firms which may not benefit from tax incentives (e.g. Czech Republic, Netherlands, Poland, Portugal and the United-Kingdom); to improve targeting of government support and the efficiency of indirect measures with a view to encourage firm growth through economies of scale (Canada); to improve co-ordination of public policies (Costa Rica and Czech Republic); and to improve links between domestic and foreign firms (Costa Rica and Mexico).

Providing more equal access to high-quality education

Without adequate education and skills, people are unable to access jobs, technological progress does not translate into economic growth, and countries can no longer compete in an increasingly knowledge-based global society (OECD, 2012c). Reforms that facilitate the accumulation of human capital and skills are thus paramount for enhancing long-run living standards (Cohen and Soto, 2007), and require continued efforts over an extended period of time. Education has always been an area of fairly active reforms, but changes have often been incremental, reflecting sometimes the difficulty of implementing comprehensive reforms. As a result, country-specific priorities in this area are in some cases extended from one issue of *Going for Growth* to the next. Those include both reforms aimed at improving the performance of the education system and those that seek to reduce inequality of educational opportunities, as the latter may also contribute to lower labour productivity and utilisation (Stiglitz, 2015).

Policy priorities in education are identified for nearly all countries. However, the recommendations vary across countries according to the more specific nature of the weaknesses (Table 3.11). There is a strong focus on primary and secondary education for the emerging economies but also for a large number of OECD countries. A common challenge across most countries is to spread education benefits more fairly across society. For that it is recommended to allocate resources more equitably across socio-economically advantaged and disadvantaged schools and students (e.g. Germany, the Slovak Republic or United States), to attract the best teachers to disadvantaged schools (e.g. Belgium and Portugal) and to target early on additional support to students at risk of leaving the educational system (e.g. Portugal or Denmark). Postponing early tracking and limiting grade repetition would also contribute to raising equity in educational outcomes (OECD, 2013c).

A second common challenge is to raise the quality of education. While a lot of progress has been achieved in terms of enrolment rates, both in OECD countries and in non-OECD countries, there are still large gaps across countries in terms of quality, as reflected for example in the latest PISA results. Improving teaching quality is therefore key and this is reflected in a large number of countries with recommendations in that direction, ranging from improving teachers training (e.g. Switzerland) to introducing performance-based remuneration schemes (e.g. India and Costa Rica) or attracting higher performing

Table 3.11. **Recommendations on human capital**

University	
Improve responsiveness to labour market needs	ARG BRA CHL CHN CRI GRC HUN ITA SWE
Better target financial assitance to students	AUT COL CHE CZE ESP
Improve funding formula	CHL COL CRI NOR SVK
Improve access and reduce inequalities	CHE CHN HUN
Encourage shorter completion times	NOR SWE
Increase specialisation	ESP
Vocational	
Expand VET and apprenticeships	ARG BRA CHN CRI DNK ESP EST FRA GBR GRC IND ISR LUX POL PRT TUR ZAF
Increase employers involvement	CRI CZE GRC ESP EST SVK
Improve alignment with labour market needs	CHL ESP LVA PRT SWE
Increase workplace component	EST HUN LVA LTU
Encourage SMEs to share apprenticeship places	LVA
Provide vocational training earlier in the cursus	IND
Update curricula	CHL
Harmonise requirements for apprenticeships	CAN
Primary and secondary	
Provide additionnal support to disadvantaged schools/students	BEL CRI CZE DEU DNK FRA HUN ISL ISR LVA NZL POL PRT SVK SWE USA
Improve teaching quality and teachers career prospects/incentives	ARG BRA CHE CRI ESP GRC IDN ISL LTU MEX NOR NZL POL PRT SWE ZAF
Postpone early tracking	BEL CZE DEU HUN LUX PRT
Improve school accountability and autonomy	ISL LUX NOR NZL PRT TUR
Improve access/enrolment	BRA CHN IND IDN ZAF
Limit grade repetition	BEL DEU LUX PRT
Provide second chance opportunities	ESP SVK
Lifelong learning	BEL DEU DNK GBR GRC HUN LVA SVK

graduates to the teaching profession (e.g. Lithuania) and improving its career prospects (e.g. Sweden). Reflecting the prevalence of high unemployment among school drop-outs, some countries (e.g. Spain) are also recommended to boost second chance educational opportunities. Recommendations aiming at increasing access and ensuring adequate school resources are formulated in lower-income countries (e.g. India and Indonesia)

Recommendations in the area of tertiary education are more prevalent for OECD countries, but can be also found in several non-OECD countries (e.g. Colombia, Costa Rica or Brazil). A common challenge in that area is to improve university responsiveness to labour market needs. Digitalisation, globalisation, demographic shifts and other changes in work organisation are constantly reshaping skill needs (OECD, 2016e). Excessive inertia in the education and training systems, in particular in universities, would translate into people acquiring obsolete skills and into persistent skill shortages and mismatches, which are costly for individuals, firms and society in terms of lower wages, productivity and growth. Flexibility and ability to equip students with job-relevant skills are thus vital and recommended. For that, curricula should be updated regularly, intelligence about future skills needs should be developed (e.g. Italy) and fields with high expected demand, such as engineering or basic science, should be promoted (e.g. Chile). Funding mechanisms can play an important role in this respect, and it is recommended that the funding formula takes into account labour market outcomes and needs (e.g. Norway or the Slovak Republic). Better targeting financial assistance provided to students is also a frequent area of recommendations. In some cases it is recommended to introduce mean-tested grants targeted at students from low socio-economic backgrounds (e.g. Switzerland), while other countries are recommended to introduce or raise tuition charges and, in order to alleviate their adverse effects on enrolment, combine these with income contingent payback.

Concerning vocational education and training (VET), the pay-off from policy reforms in this area can be particularly important in the current context. A number of countries are being advised to expand or enhance the effectiveness of VET so as to address the skill mismatch and to provide better bridges between education and the labour market. The potential for a broadly-based increase in the skills level to result in improved well-being and higher productivity gains can only fully materialise if both workers and firms make best use

of these skills. But the growing gap between education qualifications and the actual level of skills means that using qualifications as a proxy for skills may lead to placing people in the wrong jobs. As a result, not only can well-designed VET systems improve the overall quality and equity of secondary and tertiary education systems, they can also be particularly useful at raising employability among youth and the low-skilled, an attractive property at a time when several countries face substantial levels of youth unemployment and a need to encourage requalification and redeployment. For example, increasing participation in lifelong learning programmes from the low level in Italy to the median level in Estonia is associated with a 6 percentage point decrease in mismatch (Adalet McGowan and Andrews, 2015). Here again, reducing the skills mismatch requires a combination of policies that include education but also labour market and product market regulation measures.

Raising the efficiency of taxation

Earlier studies have provided evidence of the impact of the tax structure on economic growth and inequality, through effects on labour utilisation (discussed above) as well as on private investment and productivity. While policy recommendations to improve the tax structure vary depending on country-specific performances and policy weaknesses (Table 3.12), they often include reductions in labour (see above), or corporate (e.g. Japan and Norway) income taxation. Reducing statutory corporate income tax rates tends to raise productivity (Arnold and Schwellnus, 2008) by lifting incentives to invest in innovative activities and may also increase employment, which could reduce inequality. Policies to broaden the tax base and reduce tax expenditures are also strongly advocated (e.g. Argentina, Italy, Japan, Norway and Spain) as a way to reduce distortions, enhancing revenues and reducing inequality. In the same vein, strengthening tax collection and compliance is recommended as an effective and equitable way to raise revenues (e.g. Spain, Greece or Italy).

Table 3.12. **Recommendations on tax structure and subsidies**

Tax structure													
Broaden the tax base / reduce tax expenditures	ARG	AUS	AUT	CAN	COL	DEU	ESP	EST	GRC	ITA	JPN	NOR	TUR
Shift tax burden to property	DEU	DNK	EST	FIN	HUN	IRL	ITA	KOR	LVA	LUX	POL	SVN	SWE
Shift tax burden to environment	CAN	CHE	COL	DEU	ESP	HUN	ITA	JPN	KOR	LVA	POL		
Shift tax burden to VAT	AUS	CAN	CHE	COL	FIN	JPN	KOR	NOR					
Improve tax collection/compliance	ESP	GRC	ITA	LVA	POL								
Reduce the scope of VAT reduced rates	CHE	DEU	FIN	NLD	SWE								
Reduce corporate tax rate	CAN	JPN	NOR	USA									
Reduce top income tax rates	SVN	SWE											
Subsidies													
Reduce/reform public support to agriculture	CHE	EU	ISR	JPN	KOR	NOR	TUR						
Reduce energy subsidies	ARG	IDN											

A more growth-friendly tax system can be achieved by shifting the tax burden away from direct income toward consumption, immovable property and the environment, as recommended to most countries featuring a priority in the tax area (e.g. Denmark, Estonia, Germany, Ireland, Latvia and Slovenia). The scope for such reforms may be limited in some cases, as they may increase inequality. To cautiously address policy trade-offs, the reduction in direct taxation can be targeted at low-income earners (e.g. Estonia, Germany, Hungary, Latvia and Turkey). Some countries are also recommended to reduce distortions or fragmentation in their taxation systems (e.g. Norway and the United States), by aligning the

taxation of different asset classes and in particular by reducing the implicit tax subsidy for owner-occupied housing or by introducing an integrated nationwide value-added tax (VAT) system for domestic goods (Brazil).

Reducing agriculture and energy subsidies

Little progress has occurred in 2015-16 towards reducing agricultural subsidies, which explains why priorities are still present for the European Union, Israel, Japan, Korea, Norway, Switzerland and Turkey (Table 3.12). Those countries all need to further reduce the level of producer support, that remains high, and to de-link it from production (especially Japan and Korea) to mitigate its adverse effects on the efficiency of resource allocation and productivity. Similar recommendations are made for the European Union, in association with a reduction in barriers to market access for non-EU countries and of biofuel subsidies. Similarly to agricultural support, energy subsidies are sometimes used as social policy devices, but they distort markets and are regressive, wasting resources that could be more effectively targeted directly at the poor – such as through cash transfers – or at growth-promoting spending. Reducing such subsidies substantially, replacing them by targeted transfers to low-income households, remains a priority for Argentina and Indonesia.

Improving the efficiency of public administration and the quality of public services

Reforms to improve the efficiency of government expenditure are expected to boost productivity performance in the long term. They are also particularly attractive given unfavourable demographic prospects and the rising spending pressures in areas like health and education, key areas to improve well-being and equity outcomes. Governments will increasingly face the challenge of providing adequate public services while containing budgetary pressures. Enhancing public sector efficiency is especially important in those countries which have embarked in intensive reform agendas over recent years in order to achieve an effective and full implementation of reforms. An ineffective public sector can also lead to resource misallocation in the private sector (Garcia Santana et al., 2016), for example through arbitrary assignment of public procurement (Adler, 2016). All this explains why public sector reforms have been gaining momentum over the last years (see Chapter 1), but further progress in this area is needed.

Reforms to raise overall public sector efficiency cross different areas (Table 3.13). Public procurement remains the government activity most vulnerable to waste, fraud and corruption (OECD, 2009). Improving public procurement procedures is therefore crucial in several OECD countries (Belgium, Czech Republic, Denmark and Hungary). Improving monitoring mechanisms of public sector performance (e.g. Slovak Republic and Czech Republic), and human resource management (e.g. Italy and the Slovak Republic) are frequent recommendations. Some countries need also to bolster the administrative capacity of the local administration (Poland). An expenditure review, aimed at creating fiscal space to boost social spending, is recommended for Greece.

A number of public sector recommendations focus also on the healthcare sector, given the considerable scope to increase cost-efficiency in a number of countries. Reforms in this area cover hospital efficiency and care management incentives (e.g. New Zealand, Switzerland) and the promotion of generic drugs (e.g. New Zealand, Lithuania). The promotion of healthy lifestyle is also advocated for some countries (e.g. Lithuania, New Zealand), particularly among the poor. Despite major action by the current administration, the United States still devotes a much larger share of its resources to healthcare than other

Table 3.13. **Recommendations on public spending efficiency, physical and legal infrastructure and financial markets**

General	
Improve public procurement procedures	BEL CZE DNK HUN ITA
Improve human ressources management	ITA SVK
Improve monitoring and performance evaluation	CZE GRC SVK
Bolster local administrative capacity	POL
Undertake an expenditure review	GRC
Health	
Reinforce/monitor equity in access	CHN FIN USA
Promote and improve generics drugs use	CHE LTU
Promote more healthy lifestyles	LTU NZL
Increase cost-efficiency	NZL
Increase benchmarking of hospital costs	CHE
Increase cost-efficiency	USA
Infrastructure	
Enhance quality/access/connectivity in transport	AUS ARG COL CRI EST EU IDN ISR LVA POL USA
Enhance quality/access/connectivity in energy	EST EU ITA LVA POL
Improve cost-benefit analysis, including of PPPs and concessions	ARG COL CRI CZE
Improve institutional framework and capacity in relevant ministries and agencies	BRA CRI CZE IND
Raise public and private investment in infrastructure	ITA GBR USA
Improve rural infrastructure	ARG EST IDN
Improve capacity/spending of subnational governments	ARG IDN
Improve long-term strategy and planning	CRI GBR
Enhance quality/access/connectivity in ports	LVA
Introduce user pricing (e.g. in roads)	GBR
Simplify regulatory approval processes	IND
Rule of law	
Sustain/reinforce fight against corruption	ITA HUN IDN MEX
Reinforce judiciary ressources/out of court procedures/efficiency	ITA GRC IDN MEX
Improve legislation	CHN ITA MEX
Publish enterprise annual reports to reduce scope for fraud	CHN
Strengthen penalities for unlawful business conduct	CHN
Financial markets	
Reduce state intervention	ARG CHN
Accelerate resolution of banks non-performing loans	ITA PRT
Enhance financial literacy	CHN
Ease bank portofolio restrictions	IND

OECD countries, which requires continued efforts to identify and implement cost-saving measures and monitor their impact.

Enhancing the provision and quality of physical infrastructure

The most direct contribution of policy to growth of the whole-economy capital stock comes from public investment and recent empirical work suggests a large positive effect on productivity. Solving infrastructure bottlenecks, such as those in transport, can also contribute to stronger labour utilisation, through enhanced labour mobility, and to better environment protection, through lower carbon emissions. Considering the post-crisis fall of government investment as a share of GDP (see Chapter 1) and the current macroeconomic context, enhancing core public capital, and in particular the capacity and regulation of infrastructure, is a priority for both member and non-member countries (Table 3.13). This requires addressing infrastructure shortages in a cost-effective way, in the area of transport (e.g. Argentina, Costa Rica, Israel, United Kingdom or United States), energy (e.g. Estonia and Italy) or both (e.g. Latvia and Poland) and education (South Africa). Reforms in this area also need optimising the use of infrastructure. This can be achieved by price signals such as congestion charges (United Kingdom) or green taxes (Poland). Infrastructure provisions are also very low in many emerging economies, and raising public investment should be accompanied by reforms of the regulatory environment to attract private investment and optimise use, by reforming land acquisition (India), improving the institutional framework

and capacity in relevant government agencies (e.g. Costa Rica and Brazil), enhancing long-term planning (e.g. Costa Rica) and promoting PPPs based on *ex-ante* cost-benefit analysis and balanced risk sharing (e.g. Argentina and Colombia).

Strengthening the rule of law

Not only physical but also legal infrastructure bottlenecks hamper productivity, both in emerging-market countries and in some OECD countries. An inefficient judicial system can also act as a significant impediment to full implementation of structural reforms (OECD, 2015c). A well-enforced rule of law is thus essential for growth (Acemoglu et al., 2001) and this is reflected in different mechanisms on which reform priorities need to be addressed for some countries (Table 3.13). Streamlining the court system and enhancing the monitoring of court performance (e.g. Italy) would make judicial systems more agile and responsive. Implementing out-of-court settlement mechanisms (e.g. Greece and Italy), such as mediation, would help to reduce delays and backload of cases. Using more e-justice tools (Greece), moving from written to oral trials (Mexico), and increasing courts specialisation (Greece and Italy), would also contribute to quicker resolutions and stronger contract enforcement. Lastly, it is also important that legislation remains clear and unambiguous (Italy) and that legislation reforms are enacted and implemented (Mexico).

Reducing corruption and improving trust in government institutions, which has recently deteriorated in several OECD countries (OECD, 2015d), must also remain a priority, as it would help governments to implement structural reforms, in particular those bringing long-term benefits (OECD, 2013c). Corruption and crony capitalism are also conducive to resource misallocation and low productivity (Garcia Santana et al., 2016). Consequently, it is recommended to establish or reinforce dedicated anti-corruption agencies (e.g. Hungary, Indonesia, Italy and Mexico). China would also benefit from actions to fight unlawful business conducts, such as strengthening penalties or making annual enterprise reports publicly available.

Reforming financial market regulations

Financial market reform has generally not featured prominently among country-specific priorities, owing to the particular need for strong international co-ordination in this area. There are nonetheless specific idiosyncratic cases where financial reform priorities feature in *Going for Growth*. An area where urgent policy action is required concerns the high level of non-performing loans in Portugal and Italy, which is hindering private investment and growth (Table 3.13). Accelerating the resolution of non-performing loans, including by developing markets for distressed debt securities (e.g. Portugal) and improving insolvency procedures, would contribute to restore credit growth and would allow banks to focus on new lending and on reallocating capital to new and more productive firms.

In some emerging-market economies, basic financial-sector liberalisation is needed to sustain high growth, including in China, where bank credit is not fully allocated by the market. In the same vein, a more efficient functioning of financial markets in Argentina would contribute to reallocating resources towards more productive activities. However, in order to deliver their full benefits, such liberalisations should be gradual and accompanied by strong prudential regulation. In China interest rates have fully been liberalised, with the exception of some policy rates, but, to further enhance risk pricing by financial markets, implicit state guarantees to public entities should be removed. Internet finance regulation has been strengthened, but illegal fundraising activities and defaults by peer-to-peer

financial service providers have become widespread. Thus financial literacy should be also enhanced through financial education from an early age. Overall striking a better balance between liberalisation and regulation in financial markets, would allow for better pricing of risk and contribute to lower the adverse impact on inequality of the financial sector (Denk and Cournède, 2015).

Notes

1. For some of these countries, high productivity is the result of the relatively low share of lower skilled workers in the labour force. Consequently, improvements in labour utilisation may not generate one-for-one gains in GDP per capita (see Boulhol, 2009).
2. See Bourlès et al., (2010) on OECD countries and Bas and Causa (2012) for evidence on China.

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ARGENTINA[1]

- The gap in GDP per capita relative to the leading OECD countries remains sizeable, reflecting low productivity and labour utilisation.
- Poverty and inequality remain high by OECD standards. Investment growth has been stagnant, resulting in an important infrastructure gap. The quality of education remains poor, contributing to low social mobility.
- Recent initiatives to remove distortions created by previous interventionist policies, the successfully re-established access to international financial markets, the end of currency and capital controls, are welcome steps to recover higher levels of growth necessary to further social progress. Recent measures to raise transfers to the most vulnerable segments of the population and to strengthen social expenditures by increasing the number of beneficiaries of conditional cash transfers will support poverty reduction and a more equal distribution of income.
- Priority should be given to ensuring that the multiple recent reform efforts are fully implemented. More needs to be done in the areas of product market regulation and competition to unleash the growth potential via a more efficient allocation of resources. Reducing educational inequalities and improving skills throughout the working life would also increase employment and labour productivity. Improving access to quality childcare would encourage higher female labour participation and foster growth and inclusiveness. Reforms to raise the efficiency of taxation are important for productivity and would help fiscal consolidation.
- Fostering renewable energy will have a positive impact on sustainable growth through a diversification of the national energy matrix, the expansion of installed power and the reduction of costs in the generation of energy.

Going for Growth 2017 priorities

Reduce regulatory burden and barriers to trade. Regulatory barriers to domestic and foreign competition are higher than in most other emerging-market or OECD countries, affecting the country's competitiveness, ability to increase exports and integration into global value chains.

Recommendations: Increase competition by reducing barriers to trade and entrepreneurship. Ease employment protection legislation to ensure a better functioning of the labour market and reallocate resources towards more productive activities. Promote foreign trade by establishing simple, transparent and effective administrative procedures, in line with OECD best practices.

Enhance outcomes and equity in education. Educational outcomes remain far below OECD standards, and are strongly linked to students' socio-economic status. Improving quality of education can help reduce income inequality and boost productivity growth.

Recommendations: Invest more in early childhood education to reduce the gap generated by family environments early in life. Reshape teacher careers, ensuring that teacher preparation programmes select and train candidates carefully and purposefully. Invest in new teachers by supporting their professional growth early on. Strengthen vocational education and training and promote the participation of more women in the

1. Since this country is covered for the first time in *Going for Growth*, structural reform priorities are all new by definition, which implies that there is no follow-up on actions taken on those priorities.

ARGENTINA

Growth performance and inequality indicators

A. Growth

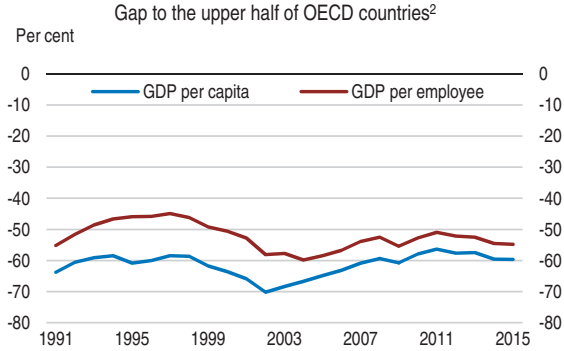
Average annual growth rates (%)	2003-09	2009-15
GDP per capita	4.3	1.8

B. Inequality[1]

	Level
	2016Q3
Share of national disposable income held by the poorest 20%	4.3
Mean income ratio of the richest 10% over the poorest 10%	25.6

C. The large gaps in GDP per capita and productivity have remained stable

Gap to the upper half of OECD countries[2]



1. The population of reference is household living in urban agglomeration.
2. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per employee and GDI per capita (in constant 2010 PPPs).

Source: OECD, *National Accounts Database*; National Institute of Statistics and Census of Argentina (Indec), from the Permanent Household Survey (EPH); International Labour Organization (ILO), *Key Indicators of the Labour Market (KILM) Database*.

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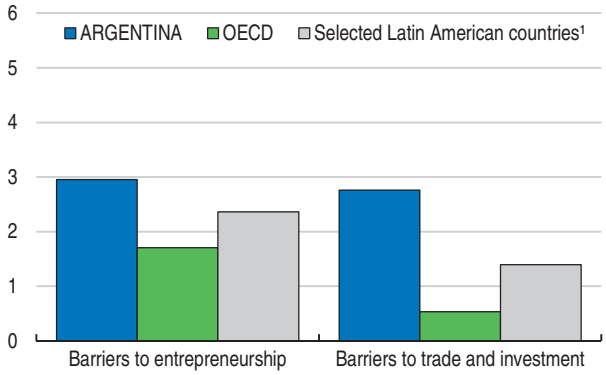
Policy indicators

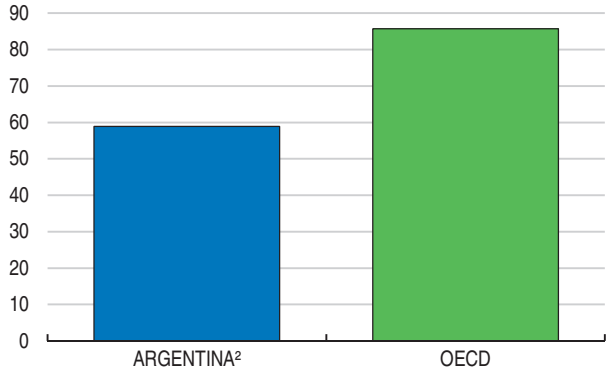
A. Regulatory barriers to domestic and foreign competition are high

Index scale of 0-6 from least to most restrictive, 2013



B. The graduation rate in upper-secondary education is low

First-time graduation rates, 2014



1. Average of Brazil, Chile and Mexico.
2. 2013 data for Argentina.

Source: Panel A: OECD, *Product Market Regulation Database* and OECD-WBG Product Market Regulation for Argentina; Panel B: OECD, *Education at a Glance 2016: OECD Indicators*.

StatLink http://dx.doi.org/10.1787/888933455366

fields of engineering and computer science. Strengthen the linkages between tertiary education and the labour market and properly assess and anticipate skills needs to boost innovation and respond to future labour-market needs.

Improve infrastructure and reduce regional disparities. Significant gaps in infrastructure restrain economic growth and job creation, while contributing to wide regional income inequalities.

Recommendations: Implement planned infrastructure projects, such as the Plan Belgrano, the electrification of the remaining railways lines and the Regional Express Net, which will promote connectivity and intraregional trade within the country. Improve the capacity of subnational governments to execute projects without unnecessary delays. Use public-private partnerships (PPPs) for infrastructure investment in the context of the recently passed PPP law, but strike the right balance of risks between the public and private sectors.

Facilitate labour force participation of women. Increasing participation of women in the labour force can have a significant impact on economic growth and contribute to reduce income inequality.

Recommendations: Strengthen public investment on active labour market policies to help improve skills and promote employment opportunities for women. Continue improving access to quality childcare for children under 3 years of age. Promote gender diversity in leadership positions in public sector and private companies, notably by establishing gender goals in management. Bring gender issues into the public debate through information campaigns and introduce policies to modify gender roles so as to raise female labour market participation.

Increase the efficiency of the tax system by broadening tax bases and moving towards less distortive taxes. An inefficient and regressive tax system affects productivity and inequality.

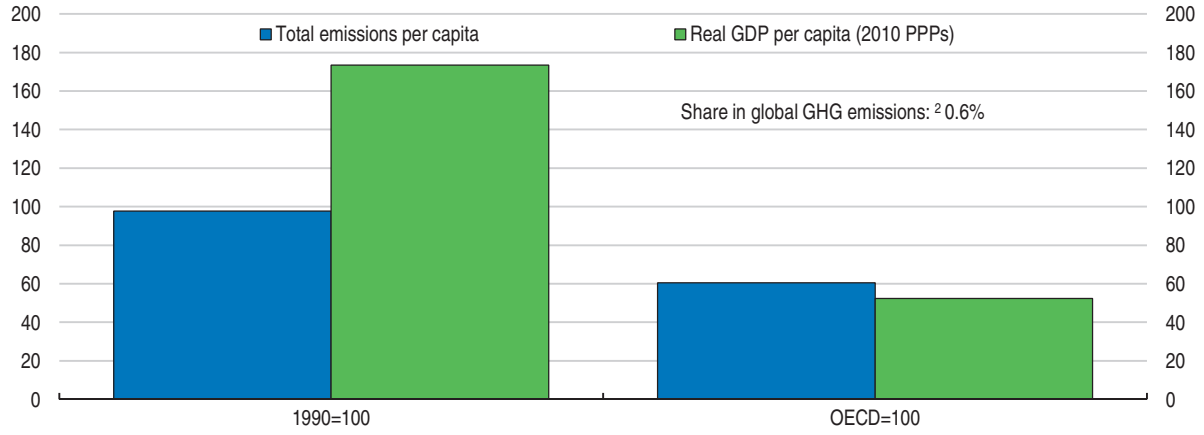
Recommendations: Move away from distortive taxes such as provincial revenue-based taxes and those on financial transactions. Broaden tax bases in personal income taxation and eliminate loopholes like the preferential tax treatment of certain investment incomes. Continue reducing payroll taxes for new people entering the labour market to encourage formalisation.

ARGENTINA

Beyond GDP per capita: Other policy objectives

Emissions per capita are at the 1990 levels

2010[1]



1. Total GHG emissions in CO_2 equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

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AUSTRALIA

- Catch-up in income per capita relative to the most advanced OECD countries has paused as the economy rebalances in the face of diminishing resource-sector investments and weak global commodity prices. Labour productivity growth has picked up following the global financial crisis but total factor productivity growth remains low.
- Inequality remains above the OECD average, both as measured by the Gini coefficient and by the share of national disposable income held by the poorest 20%.
- The most notable recent progress in *Going for Growth 2015* priorities has been in innovation policy, where a new campaign, the *National Innovation and Science Agenda,* which began in 2015, has added impetus to reform. A number of measures have been taken in taxation too. Infrastructure investment has been dropped as a stand-alone priority but continued progress on this front remains important.
- Raising productive capacity should focus on encouraging innovation, continuing infrastructure improvement, facilitating the adoption of new technologies and boosting skills.

Going for Growth 2017 priorities

Improve framework conditions for businesses and strengthen competition. Building capacity for productivity growth in Australia requires attention to the framework conditions in which businesses operate, including transport and ICT services and related infrastructure. Australia's distance from major world markets and large distances between urban centres makes the economy vulnerable to markets with small number of players with consequent risk of weak competition.

Actions taken: No action taken recently, though implementation of measures in the wake of the Harper Review (finalised in 2015) on competition policy continues along with road-construction projects and a major upgrading of broadband infrastructure.

Recommendations: Press on with follow-up to the Harper review along with road-construction and broadband upgrading, and encourage business dynamics in particular through lighter insolvency regulation.

Enhance the framework for innovation. Helping the economy embrace new innovations and technologies quickly and effectively, and an appropriately incentivised domestic R&D sector are important for building productive capacity in Australia.

Actions taken: Innovation policy has been given renewed impetus through a new policy campaign, the *National Innovation and Science Agenda* launched at the end of 2015. Measures include changes to federal block research grants to universities to encourage greater collaboration with business.

Recommendations: Implementation of the *Agenda* should continue. Alongside general framework conditions for business, there should be particular attention to improving university-business linkages, more effective R&D tax incentives, stronger commercialisation of public-sector research organisations and more co-ordinated governance of the innovation system.

AUSTRALIA

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		1.4	1.0
Labour utilisation		0.5	-0.2
of which:	Labour force participation rate	0.5	-0.1
	Employment rate[1]	0.1	-0.1
	Employment coefficient[2]	0.0	0.0
Labour productivity		0.7	1.2
of which:	Capital deepening	0.6	0.9
	Total factor productivity	0.1	0.3
Dependency ratio		0.2	0.1

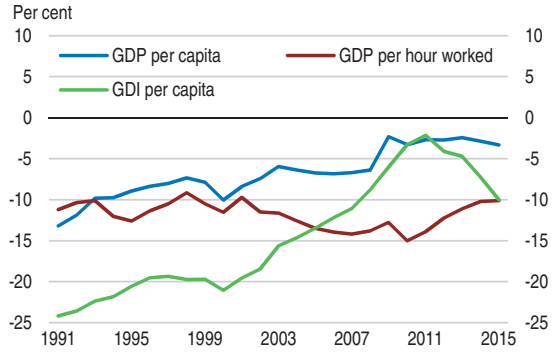
B. Inequality

	Level	Annual variation (percentage points)
	2014	2008-14
Gini coefficient[3]	33.7 (31.7)*	0 (0)*
Share of national disposable income held by the poorest 20%	7.2 (7.7)*	0 (0)*

** OECD average*

C. Gaps in GDP per capita and productivity have stopped narrowing

Gap to the upper half of OECD countries[4]



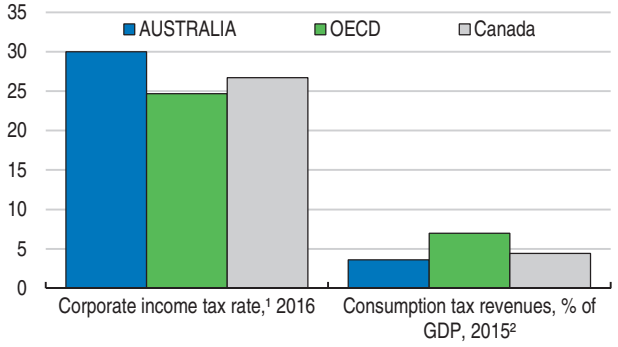
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

StatLink http://dx.doi.org/10.1787/888933454910

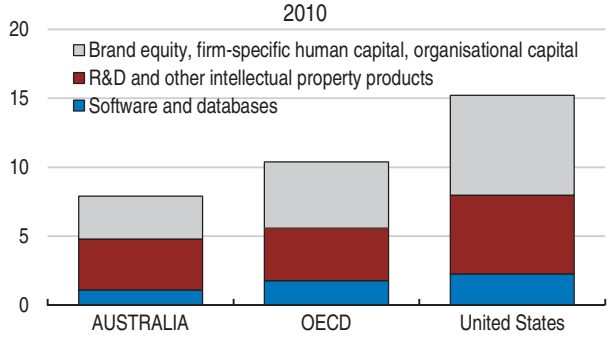
Policy indicators

A. The share of direct taxes in total revenues is comparatively high



B. Investment in knowledge-based capital is low

Percentage of value added of the business sector, 2010



1. Combined central and sub-central (statutory) corporate income tax rate.
2. Data refer to 2014 for Australia.

Source: Panel A: OECD, *Revenue Statistics and Tax Databases*; Panel B: OECD, *Science, Technology and Industry Scoreboard 2013*.

StatLink http://dx.doi.org/10.1787/888933455376

AUSTRALIA

Improve performance and equity in education.[*1] Pre-primary enrolment rates are relatively low. Children from disadvantaged backgrounds face educational and skills shortfalls, fuelling future income inequality and diminishing the productive capacity of the economy.

Actions taken: There remains ongoing implementation of a multi-year school reform process (which began in 2013), which includes introduction of an allocation formula that gives greater weight to socio-economic factors. A new child-care payment (the Child Care Subsidy) is due to replace two existing payments in 2018.

Recommendations: Press on with the multi-year schooling reform and work further towards childcare that target lower-income households and facilitate combining work and family life.

Improve the efficiency of the tax system. Consumption taxes are relatively light while income taxes are heavy. For instance, the rate of value-added tax is comparatively low, while the rate of company tax is high.

Actions taken: The 2016-17 federal budget includes further corporate-tax rate cuts and reform of pensions' ("superannuation") taxation.

Recommendations: While the tax measures underway are largely welcome a wider package of tax reforms should be developed that envisages raising the rate of goods and services tax and/or widening the base in combination with further cuts in direct taxation and the removal of inefficient taxes (for instance, many state-level fees and charges fall into this category) would bring more substantial returns.

Improve opportunities and outcomes for indigenous communities. Gaps between indigenous communities and the rest of the population remain large, including in life expectancy and employment rates.

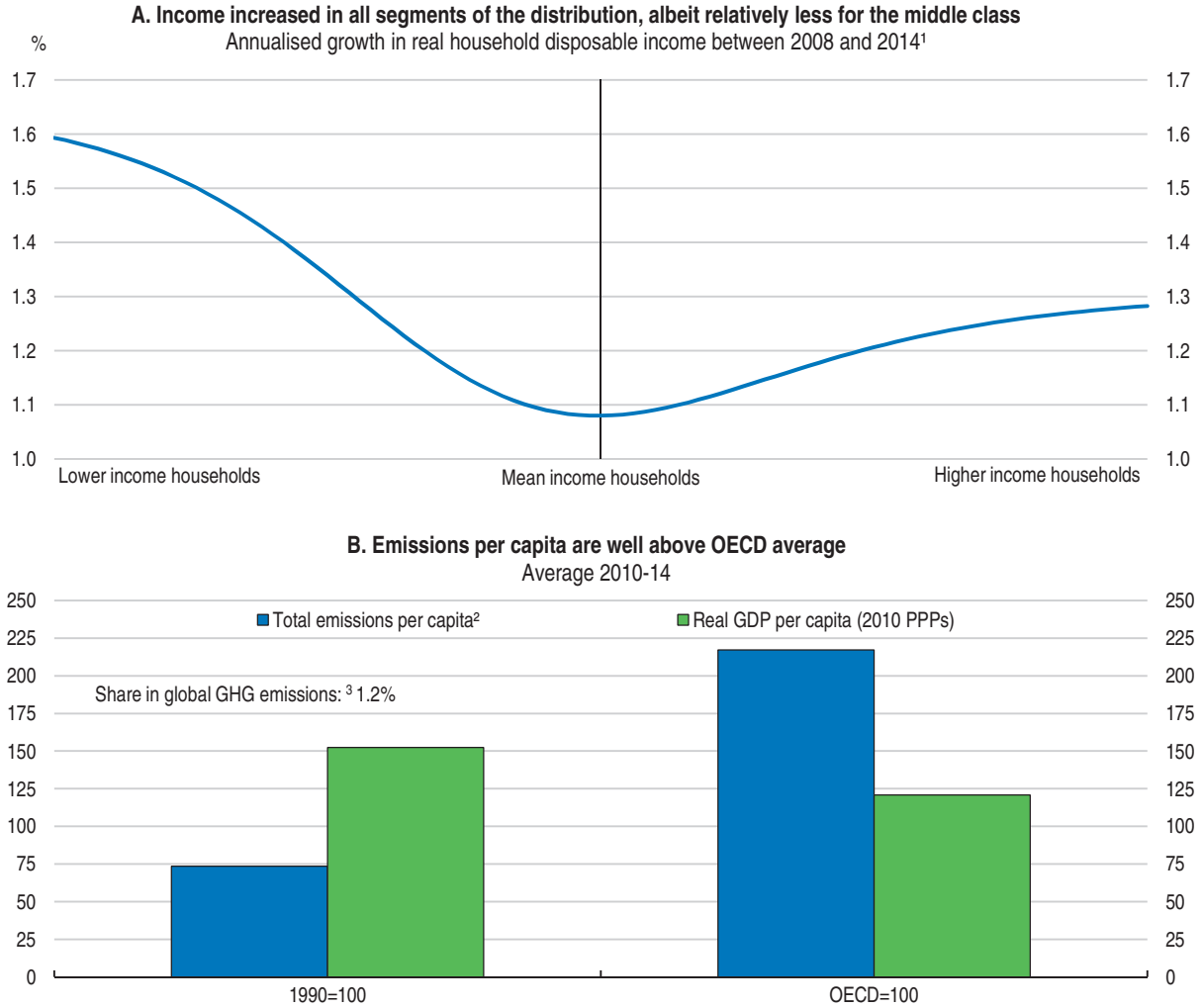
Actions taken: No action taken.

Recommendation: Intensify assessment of current measures and the options for alternative approaches as part of commitment to a more rapid narrowing of gaps in socio-economic opportunities and outcomes for indigenous communities.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

AUSTRALIA

Beyond GDP per capita: Other policy objectives



1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2008 and 2014. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
2. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933455837

AUSTRIA

- The GDP per capita gap with respect to the upper half of OECD countries has been widening again from 3.5% in 2011 to 7% in 2015. Sluggish growth and rising unemployment have weighed on labour utilisation. Labour productivity has remained buoyant in manufacturing but has declined in services and construction reducing other sectors' prospects of benefitting from cost-efficient intermediate inputs.
- Income inequality remains below the OECD average. The share of disposable income going to the poorest 20% of households is also larger than on average in the OECD. However, these numbers hide important income differentials within households as Austria remains one of the countries with the largest gender gaps in labour participation and earnings.
- The 2016 tax reform has considerably reduced the average and marginal tax rates on labour income, in particular for lower and middle incomes. A national strategy to open up traditionally gender-sensitive tracks to both sexes will be enacted in the course of 2016 to increase tertiary education rates and reduce gender pay gaps. Subsidies encouraging elderly who are eligible for an early pension to continue working have been introduced. Small retailers are exempt from authorisation procedures. Barriers to entry in network industries have been eased and are no longer considered a Going for Growth priority.
- Reducing marginal tax rates further, including at lower levels of income, could encourage part-time workers to increase participation and bring more women into the labour force, thereby contributing to more gender-equal sharing of paid and unpaid work. Expansion of high-quality early childhood education and care institutions as well as full-day schools is a prerequisite for progress in this direction. Eliminating pathways to early retirement would strengthen labour participation further. Enhancing competition in the service sector and reducing the strong influence of socio-economic background on education outcomes would foster human capital development and productivity growth.
- Increasing excise duty rates on motor fuels would reduce fuel use and in particular "fuel tourism" that account for up to one- third of Austria's CO_2 emissions.

Going for Growth 2017 priorities

Facilitate full-time labour force participation of both parents throughout the country.[*1] Reconcile work and family lives, lift bottlenecks to women's labour participation and reduce the gender pay gap.

Recommendations: Spur investment in high-quality childcare facilities. Enhance the availability of full-day schools and care centres as envisaged. Consider introducing legal entitlements for these services. Reduce the implicit taxation of shifting from marginal and part-time to full-time employment and replace the sole-earner tax deduction by targeted transfers to families in need.

Lower marginal tax rates on labour income. High effective marginal tax rates, especially at low income levels, undermine work incentives.

Actions taken: The wide-ranging tax reform passed in 2015 entered into force on 1 January 2016. The lowest income bracket tax rate was reduced from 36.5% to 25%. Earners with income below the first income bracket, who do not pay income taxes, are eligible for a reimbursement of half of their social security contributions, up to EUR 400 per year. Pensioners benefit from a similar provision, but limited to EUR 110 per year.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

AUSTRIA

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		1.1	0.6
Labour utilisation		0.5	0.4
of which:	Labour force participation rate	0.3	0.3
	Employment rate[1]	-0.2	-0.1
	Employment coefficient[2]	0.3	0.2
Labour productivity		0.4	0.3
of which:	Capital deepening	0.3	0.1
	Total factor productivity	0.1	0.2
Dependency ratio		0.2	-0.1

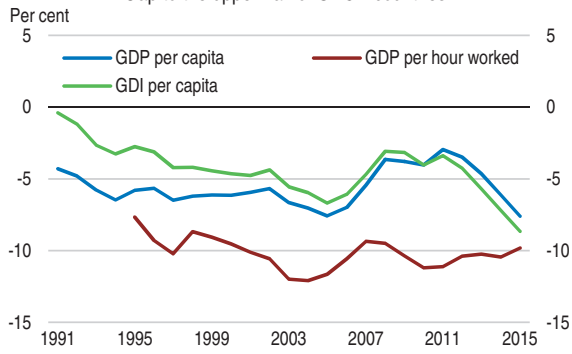
B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	28 (31.7)*	0 (0)*
Share of national disposable income held by the poorest 20%	8.7 (7.7)*	0 (0)*

** OECD average*

C. Small gaps in GDP per capita and productivity are persisting

Gap to the upper half of OECD countries[4]



1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
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4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

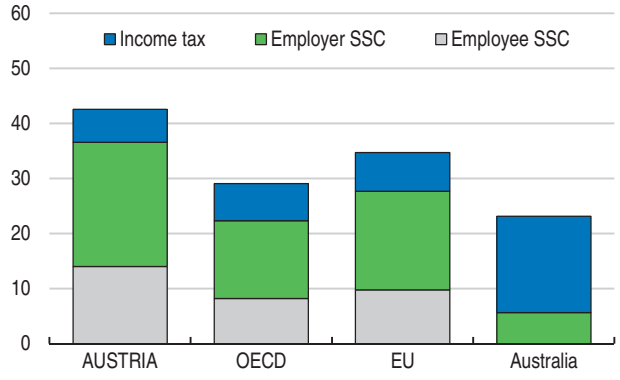
Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

StatLink http://dx.doi.org/10.1787/888933454928

Policy indicators

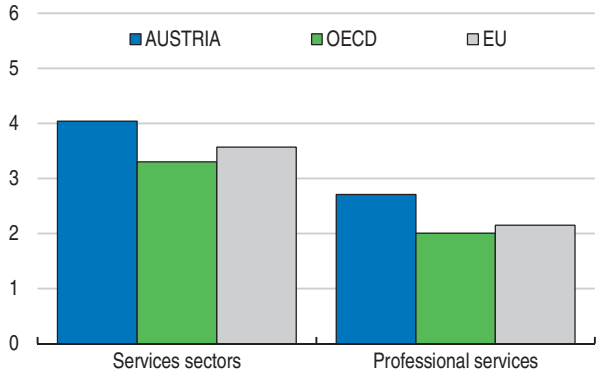
A. Labour taxation is particularly high

Percentage of total labour costs,[1] 2015



B. Regulatory barriers to competition in services are relatively high

Index scale of 0-6 from least to most restrictive, 2013



1. Single person without children at 67% of total earnings. For Austria, data refer to after tax reform as of 1 January 2016.

Source: Panel A: OECD, *Taxing wages Database* and OECD (2015), OECD Economic Surveys: Austria 2015; Panel B: OECD, *Product Market Regulation Database*.

StatLink http://dx.doi.org/10.1787/888933455384

AUSTRIA

Recommendations: Reduce the labour tax wedge further, notably by lowering employer and employee social security contributions. To ensure budget-neutrality, this could be financed by a broadening of the tax base and by increases in consumption, environmental and recurrent property taxes.

Reduce incentives to exit early from the labour force. The effective retirement age remains low, in particular for women, and subsidised avenues to early retirement still exist.

Actions taken: At the beginning of 2016 a new possibility to continue working for elderly employees came into force. Insured persons who are in principle able to claim early retirement at the age of 62 have the possibility to continue working up to the legal retirement age of 65 under special conditions. In agreement with the employer, the employee can reduce work hours by 40 to 60%. The Labour Market Agency compensates half of the wage loss incurred from the reduced working hours and tops up the social security contributions (including pension insurance).

Recommendations: Align the official retirement age for women with that for men. Eliminate all remaining subsidised avenues to early retirement. Tighten eligibility to disability pensions also for those above 50 and help partially-disabled workers to better use their remaining work capacity. Reflect changes in life expectancy more directly in the parameters of the pension system.

Reduce barriers to competition in professional services and retail trade. Restrictive regulations in many services hinder competition and productivity growth.

Actions taken: The EU Directive on the recognition of professions and professional qualifications from other EU Member States was implemented in January 2016. Since April 2015, a new regulation exempts non-hazardous small facilities (i.e. retail enterprises with operating areas below 200m^2) from authorisation procedures thus lowering administrative burdens in the retail sector.

Recommendations: Continue to ease entry to retail trade and liberal professions to allow more competition, without reducing high quality standards and consumer protection.

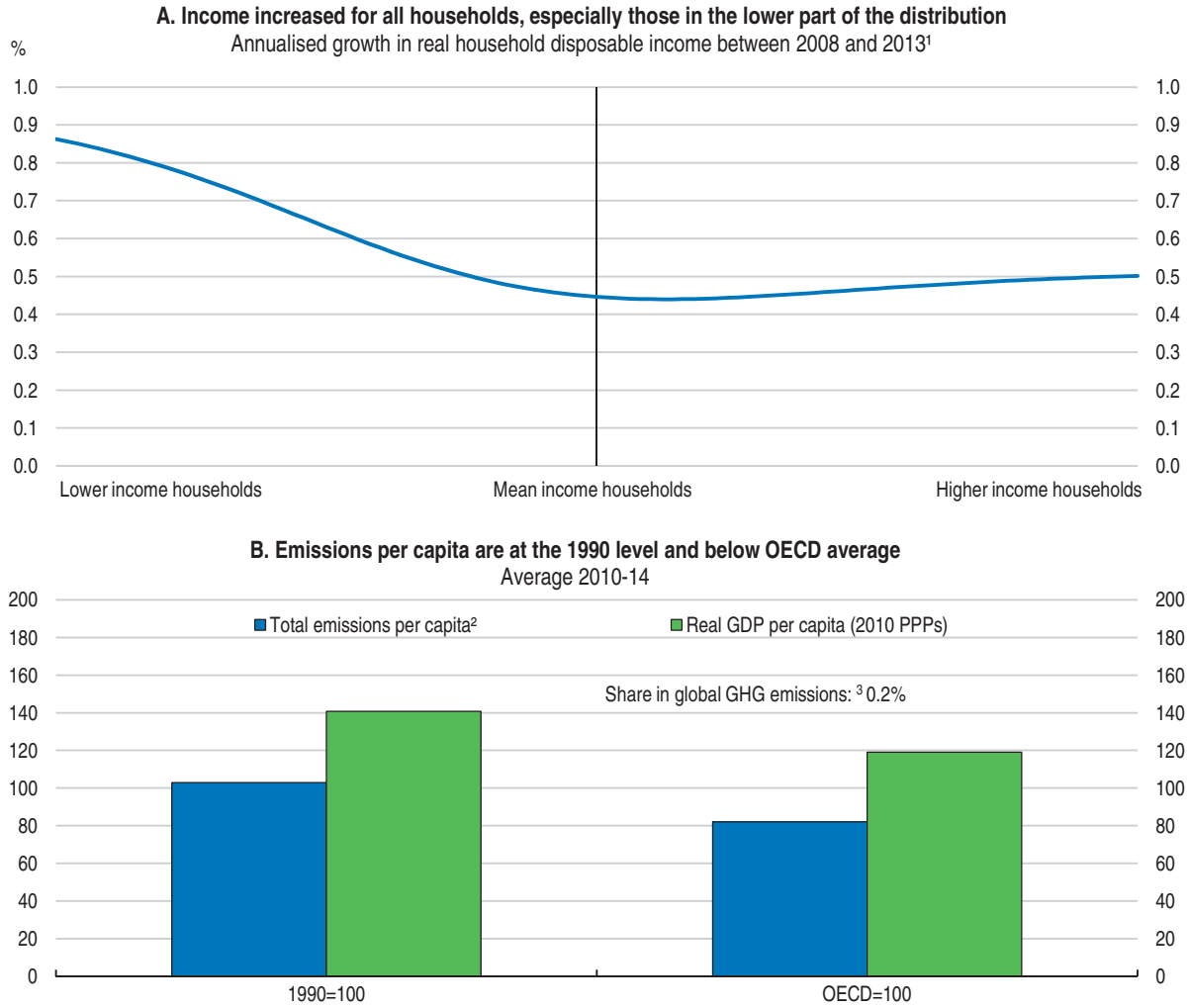
Improve equity and outcomes in tertiary education. Increase tertiary graduation rates and make educational outcomes less dependent on socio-economic backgrounds to promote inclusive growth.

Actions taken: In Spring 2016, the Austrian Higher Education Conference published a list of recommendations to promote non-traditional tracks in higher education. These serve as preliminary work for the development of a national strategy on the social dimension in higher education, to be released by the end of 2016 by the Austrian Federal Ministry of Science, Research and Economy, aiming at making higher education more inclusive and increasing graduation rates.

Recommendations: Allow universities to re-introduce general tuition fees in order to finance quality improvements in the provision of tertiary education. Accompany such fees by a comprehensive grant and income-contingent student loan system to avoid socio-economic segregation.

AUSTRIA

Beyond GDP per capita: Other policy objectives



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3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933455849

BELGIUM

- Income per capita gap relative to the upper half of OECD is widening due to a decline of both labour productivity and labour force participation growth rates. However, labour productivity level is still one of the highest among OECD countries.
- Income inequality is comparatively low and stable as households at the lower end of the income distribution have benefited just as the whole population from growth in GDP per capita, thanks to the tax and transfer system.
- Important steps have been taken in August 2015 to strengthen the employment rate of older workers and to improve the sustainability of the pension system, including by increasing the minimum statutory retirement age and tightening early retirement schemes. The 2015 tax reform, shifting taxes from labour earnings to other bases, will progressively reduce labour cost but the tax wedge remains comparatively high and the work incentives of some low-skilled workers comparatively low. Despite reforms of the pension system in 2015, more needs to be done to improve employment rates of older workers. Further actions should also be taken to strengthen work incentives associated with tax and transfers.
- Strengthening equity in education by reducing the concentration of disadvantaged students in particular schools and attracting the best teachers in such schools would boost skills and reduce inequality. Easing administrative burden and simplifying entry regulation in professional services, retail and network industries would boost competition and productivity growth. Reforming the highly co-ordinated wage bargaining system would ensure a better alignment of wages with productivity and would contribute to preserve cost competitiveness.

Going for Growth 2017 priorities

****Improve outcomes and equity in education.****[1] Education outcomes are strongly linked to socio-economic background, high concentration of disadvantaged students in particular schools hampers learning of disadvantaged children and early school leaving is comparatively high.

Recommendations: Strengthen school-level social diversity programmes and attract qualified and experienced teachers to disadvantaged schools. Reduce early tracking and grade repetition. Promote the participation of immigrants' children in early childhood education to reduce language handicaps. Assess systematically language proficiency in primary and secondary school and provide languages classes when needed.

Reform the wage bargaining system. The wage setting system makes difficult the alignment of wages on productivity and undermines cost competiveness.

Actions taken: The wage indexation mechanism, which puts a floor on wage adjustment, was temporarily suspended as of April 2015 to allow real wages to decline by 2%. An *ex-post* correction mechanism has been introduced in the wage to better preserve cost-competitiveness "wage norm" system, which sets the maximum increase of wages based on projections of foreign wage development.

Recommendations: Assess the results of the reform of the wage indexation system and consider additional reforms to ensure a better alignment of wages with productivity Encourage social partners to gradually phase-out the wage indexation system.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

BELGIUM

Growth performance and inequality indicators

A. Growth

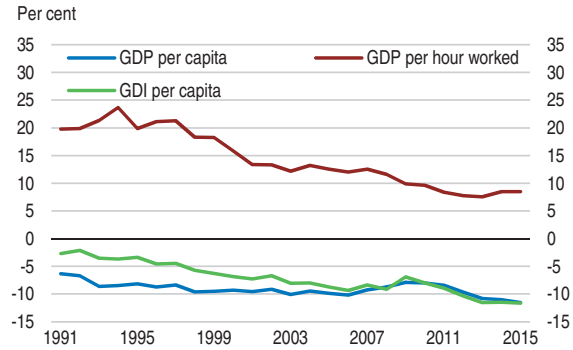
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		1.0	0.6
Labour utilisation		0.6	-0.1
of which:	Labour force participation rate	0.6	0.0
	Employment rate[1]	0.0	-0.1
	Employment coefficient[2]	0.0	0.0
Labour productivity		0.5	0.7
of which:	Capital deepening	0.2	0.1
	Total factor productivity	0.4	0.6
Dependency ratio		-0.1	0.1

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	26.8 (31.7)*	0 (0)*
Share of national disposable income held by the poorest 20%	8.8 (7.7)*	0 (0)*

** OECD average*

C. The gap in GDP per capita has stabilised
Gap to the upper half of OECD countries[4]



1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa. Using the age group of 15-74 instead of 15-64 for the employment rate may exacerbate the decline in labour utilisation for Belgium.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

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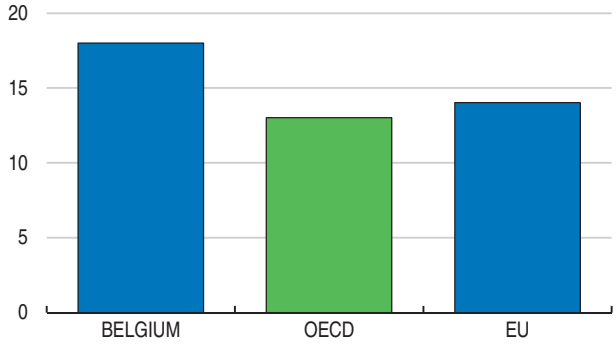
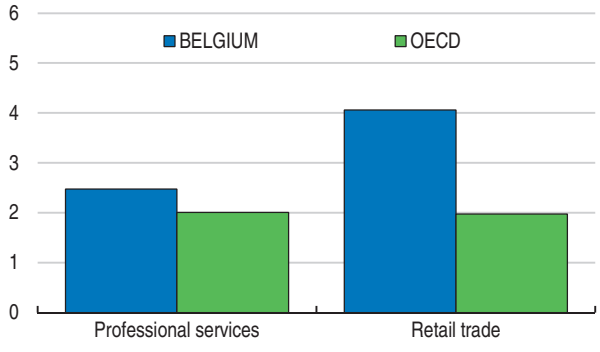
Policy indicators

A. Student performance is heavily influenced by family background
Percentage of variance in PISA mathematics score explained by socio-economic background,[1] 2015



B. There remains room for lowering regulatory barriers to competition in services
Index scale of 0-6 from least to most restrictive, 2013



1. Strength of the relationship between mathematics performance and the PISA index of economic, social and cultural status (ESCS).

Source: Panel A: *PISA Database*; Panel B: OECD, *Product Market Regulation Database*.

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BELGIUM

Increase product market competition. Administrative burden, restrictive regulation in services and multi-layer regulators in network industries hamper competition and productivity.

Actions taken: Regulatory impact assessment has been made mandatory at the federal level. Administrative simplifications have been achieved by expanding further the use of e-procedures in the context of the e-government strategy.

Recommendations: Preserve external cost competitiveness by strengthening competition in various professions that provide services used notably by exporting industries. Reduce regulatory barriers to entry in accountancy, legal and architecture services. Ease regulation in retail services, in particular regarding the restrictions on large outlets, shop opening hours and the protection of incumbents. Simplify administrative procedures and licence requirements to start an activity. Simplify the regulatory structure of network industries by establishing a single regulator layer for each network industry.

Further reduce the tax wedge and enhance financial work incentives and activation policies. High labour costs and a quick phasing-out of the wedge reduction schemes contribute to reduce labour supply for low wage earners.

Actions taken: The employers' social security contribution on low wages has been reduced in 2016 by seven percentage points. Financial incentives to work were strengthened in 2015 and 2016 by increasing the take-home pay of low paid workers thanks to lower social security contribution of employees.

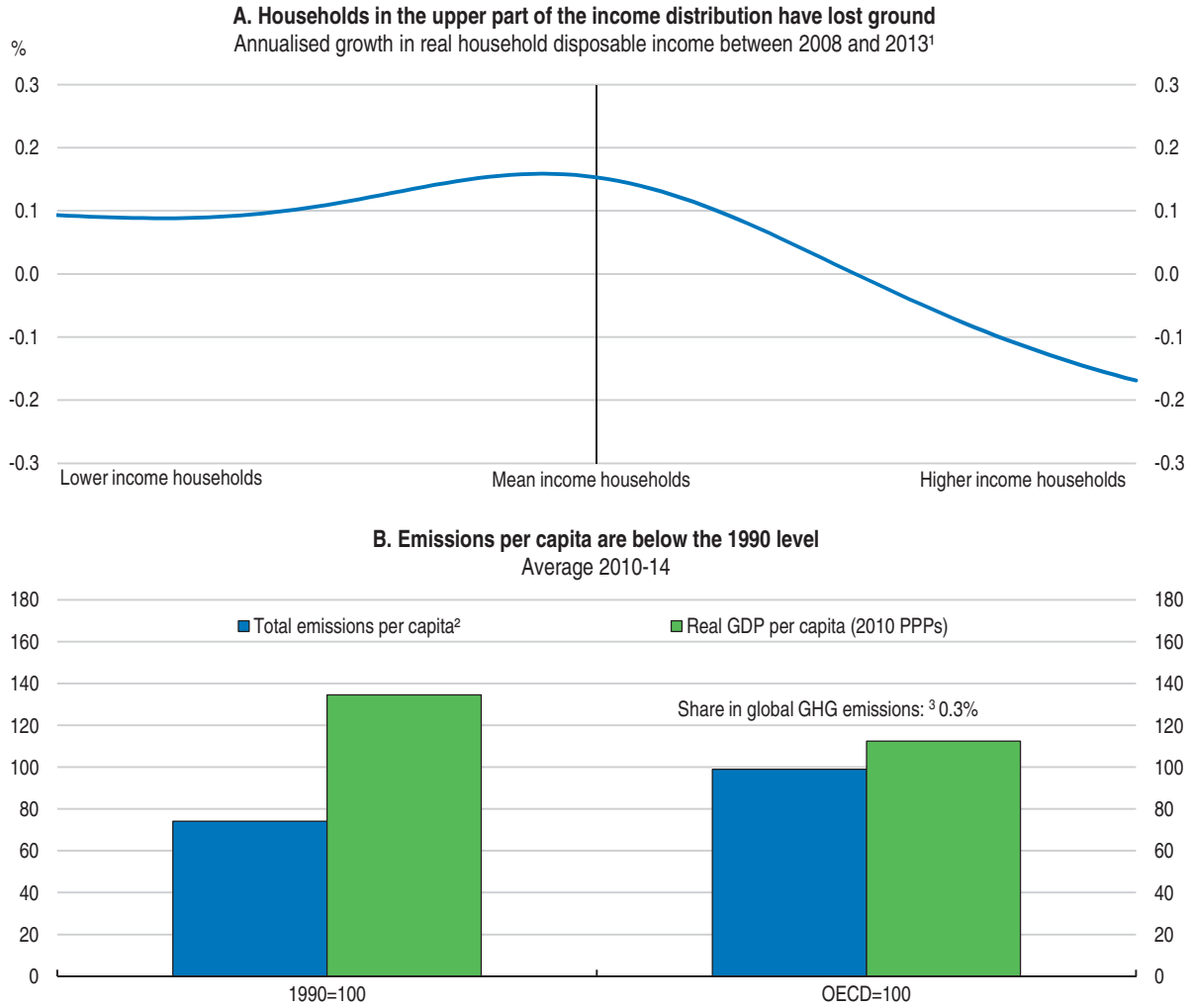
Recommendations: Continue reducing the tax wedge, especially for low-skilled workers, as the tax wedge on labour earnings remains one of the highest in Europe. Reduce the risk of low wage trap by implementing a more gradual phasing-out of the reduced tax wedge as the wage rate increases. Combine specific rate reductions for older workers with expanded lifelong learning programmes to bring their labour cost in line with their productivity.

***Improve the integration of migrants*.** The labour market achievement of immigrants is comparatively poorer with an employment rate ten percentage points lower than native born and an overrepresentation in low quality jobs.

Recommendations: Further develop validation programmes for skills acquired abroad. Expand language course programmes adapted to workplace needs, notably by combining them with other forms of training. Further engage social partners in firm-level diversity plans, including in the public sector where the share of immigrants employees is low. Narrow the scope of statuary public sector jobs for which EU citizenship is required.

BELGIUM

Beyond GDP per capita: Other policy objectives



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BRAZIL

- The narrowing of the significant GDP per capita gap with advanced OECD countries has stalled in recent years, mainly due to comparatively weak labour productivity performance.
- Inequality has come down, although at a diminishing pace. Still, inequality and poverty remain high.
- Progress has been made in infrastructure investment and in improving access to vocational education, addressing some of the *Going for Growth 2015* recommendations. Although tariffs and local content rules have not been eased, progress in trade facilitation has reduced *de facto* trade barriers somewhat. Financial support to the national development bank has been scaled back and is likely to decrease further, which should facilitate the development of private long-term credit markets. In light of these steps into the right direction, this area no longer features among the reform priorities. The area of tax reform has seen less progress.
- A more educated workforce, better infrastructure and less tax distortions would support productivity improvements. Lowering trade barriers remains a priority for Brazil to increase exposure to international competition and strengthen incentives for productivity improvements. To reconcile the need for further reductions in income inequality with diminishing fiscal space, social expenditure should focus more on the most efficient policy instruments, particularly conditional cash transfers, at the expense of less efficient instruments. This would accelerate the decline of income inequality without spending more.

Going for Growth 2017 priorities

Increase the effectiveness of social benefits.[*1] Shifting the focus of expenditures on social benefits could lead to faster reductions in income inequality.

Recommendations: Redirect spending on social benefits towards conditional cash transfers to the poor, which is the most efficient instrument for reducing income inequality. Sever the indexation of minimum pensions and social benefits to the minimum wage to avoid large real spending increases on benefits that reach households around the middle of the income distribution. Reassess the effectiveness of other benefits indexed to the minimum wage, including the Abono Salarial.

Enhance outcomes and equity in education. Improving education outcomes and equality of educational opportunities would accelerate productivity.

Actions taken: Vocational training programmes for low-skilled workers and scholarships for tertiary education have been expanded continuously. A reform package for secondary education, promoting longer school days and more flexible curriculums, was launched in September 2016 and is currently undergoing congressional approval.

Recommendations: Focus on improving the quality of education through better teacher pay, in-service training and stronger performance incentives. Ensure full-day schooling nationwide and build more schools where needed. Further expand tertiary vocational and professional training programmes to address skill shortages and reduce drop-out rates.

Reduce distortions in the tax system. Less onerous and distortive indirect taxes would contribute to faster productivity gains by reducing tax compliance costs and raise productivity.

Actions taken: No action taken.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

BRAZIL

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		2.8	1.1
Labour utilisation		0.7	-0.4
of which:	Labour force participation rate	0.4	-0.6
	Employment rate[1]	0.3	0.2
	Employment coefficient[2]	0.0	0.0
Labour productivity		1.6	1.0
of which:	Capital deepening	-1.6	0.1
	Total factor productivity	3.2	1.0
Dependency ratio		0.5	0.5

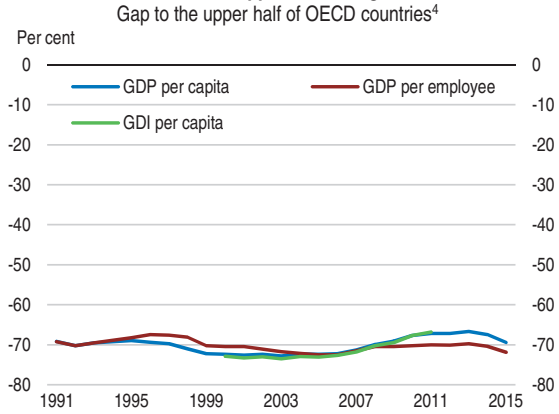
B. Inequality

	Level	Annual variation (percentage points)
	2014	2009-14
Gini coefficient[3]	51.5 (31.7)*	-0.5 (0)*
Share of national disposable income held by the poorest 20%	3.6 (7.7)*	0.1 (0)*

** OECD average*

C. The large gaps in GDP per capita and productivity have stopped narrowing

Gap to the upper half of OECD countries[4]



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4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per employee and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: World Bank, *World Development Indicators (WDI) Database*; Panel C: OECD, *National Accounts and Productivity Databases*; World Bank, *World Development Indicators (WDI) Database*; ILO, *Key Indicators of the Labour Market (KILM) Database*.

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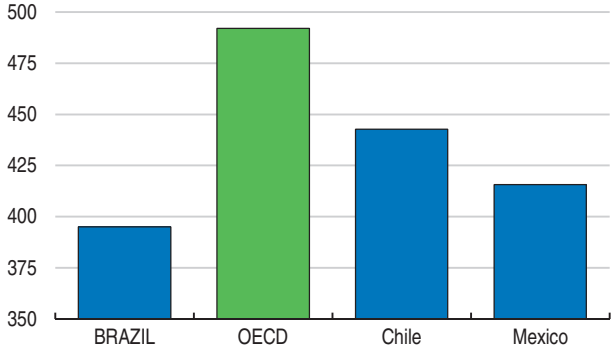
Policy indicators

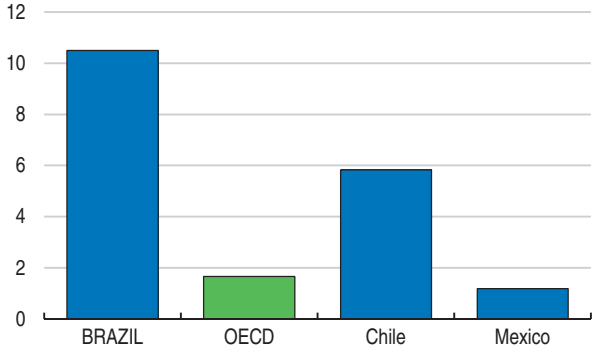
A. Student competencies are weak

Average of PISA scores in mathematics, science and reading, 2015



B. Trade protection is high

Weighted average of applied tariff rates, manufacturing, 2014[1]



1. Data refer to 2013 for Chile.

Source: Panel A: OECD, *PISA Database*; Panel B: World Bank, *World Integrated Trade Solution Database*.

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BRAZIL

Recommendations: Consolidate indirect taxes at the state and federal levels and work towards one value added tax with a broad base, full refund for input VAT and zero-rating for exports.

Reduce barriers to trade. Barriers to trade and investment are stringent, which hampers catch-up in productivity.

Actions taken: Recent progress in trade facilitation, including improvements in administrative efficiency, has reduced *de facto* trade barriers in some areas.

Recommendations: Reduce trade protection steadily by lowering tariffs and scaling back local content requirements. This will improve access to imported intermediate inputs and strengthen competitive pressures on domestic producers.

Increase public and private investment in infrastructure. Addressing infrastructure gaps would lead to higher productivity growth and improve export competitiveness.

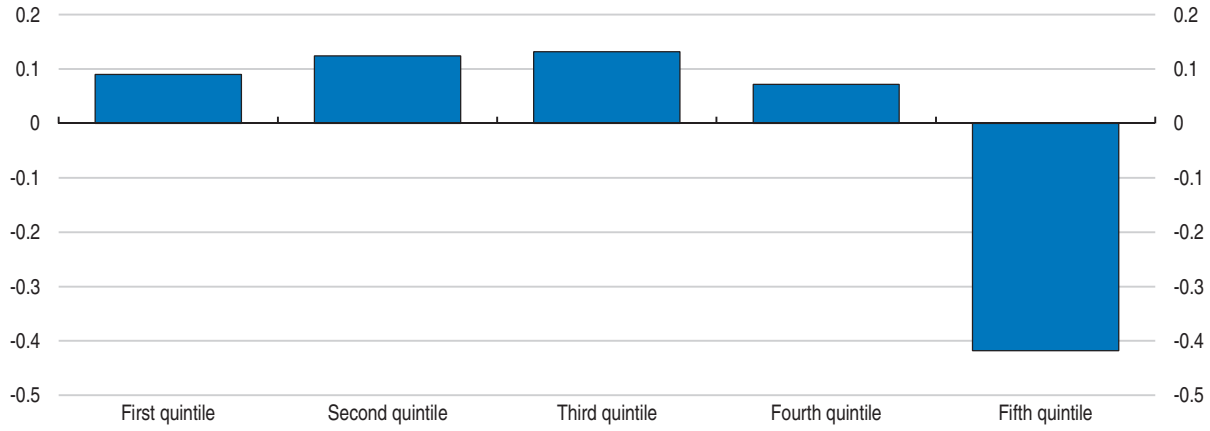
Actions taken: New road concessions have been auctioned in 2015 and airport concessions have made progress.

Recommendations: Improve the technical capacity and planning for infrastructure concessions and elaborate more detailed tender packages prior to launching tender calls.

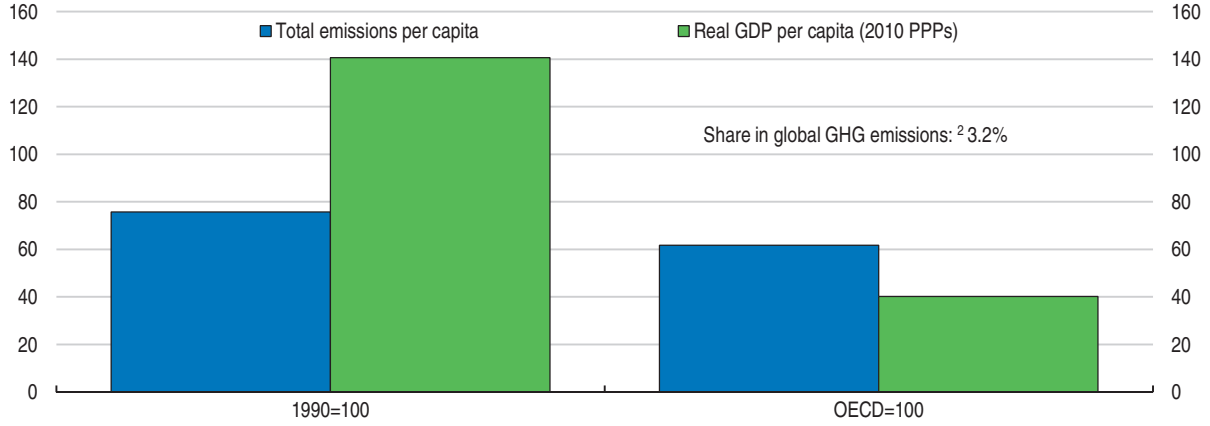
BRAZIL

Beyond GDP per capita: Other policy objectives

A. The share of national income accruing to the top of the distribution decreased
Annualised percentage points growth in quintile shares between 2009 and 2014



B. Emissions per capita are below the 1990 level
2010[1]



1. Total GHG emissions in CO_2 equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

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StatLink http://dx.doi.org/10.1787/888933455869

CANADA

- GDP per capita is 8% below the average of the advanced OECD countries, similar to the gap over the past quarter century. However, the gap in hourly labour productivity is much greater, having widened markedly until 2010. Average trend GDP per capita growth since the crisis has been less than hourly labour productivity growth, reflecting a declining labour force participation rate.
- Income inequality has edged up, in contrast to the OECD average, which has remained unchanged. The Gini coefficient increased at an average annual rate of 0.1 percentage point between 2008 and 2013. The poorest 20% of society has lost ground, with a 0.1 percentage point annual decline over the same period.
- The auctioning of additional mobile spectrum in 2015 has raised competitive pressures in mobile phone services. Access to post-secondary education has been improved through the Apprenticeship Loan, increased Canada Student Grants for students from low- and middle-income families and an increase in thresholds for repayment of student debt. To increase apprenticeship completion rates and mobility, steps have been made towards greater recognition and harmonisation of provincial training and certification requirements. Supports for some innovative firms to scale up and for the development of networks and clusters are being increased.
- Reducing barriers to product market competition is key to raising productivity. Lower FDI restrictions in network sectors and licensing requirements in retail sectors and less discrimination against foreign suppliers in professional services, air and road transport would increase competition and speed up the adoption of new technologies. Rolling back non-tariff barriers to internal trade would facilitate economies of scale. Provincial apprenticeship training and certification requirements need to be harmonised to increase apprenticeship completion rates and inter-provincial mobility. Rebalancing taxation from sources with high efficiency costs, such as corporate and personal income taxes, towards those with low efficiency costs, such as GST and environmental taxes, and reducing unwarranted tax expenditures would improve resource allocation and hence, productivity. Increasing reliance on environmental taxes, which are low, would also improve environmental outcomes cost-effectively.

Going for Growth 2017 priorities

Reduce barriers to entry for both domestic and foreign suppliers and enhance competition in network and service sectors. Regulatory barriers to competition in network and service sectors weaken pressures to innovate and adopt new technologies.

Actions taken: An additional commercial mobile spectrum in telecoms was auctioned in 2015.

Recommendations: Reduce foreign ownership restrictions in telecoms and broadcasting, and, on a reciprocal basis in air transportation. Move towards more integrated and competitive electricity markets. Privatise Canada Post and eliminate its legally protected monopoly. Ease entry regulations and reduce discrimination against foreign suppliers in professional services, air and road transport. Reduce licensing requirements in retail trade.

Reduce barriers to internal trade.* [1] Non-tariff interprovincial barriers lower efficiency, particularly by reducing the scale of production.

Recommendations: Make the sectoral coverage of the Canadian Free Trade Agreement (CFTA), which was agreed in principle by provincial premiers in July 2016 to replace the

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

CANADA

Growth performance and inequality indicators

A. Growth

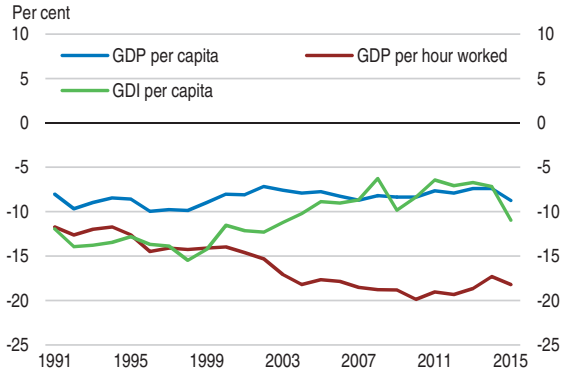
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		0.5	1.2
Labour utilisation		-0.2	0.1
of which:	Labour force participation rate	-0.1	-0.2
	Employment rate[1]	-0.1	0.3
	Employment coefficient[2]	0.0	0.0
Labour productivity		0.4	1.1
of which:	Capital deepening	0.7	0.1
	Total factor productivity	-0.3	1.0
Dependency ratio		0.3	0.0

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	32.2 (31.7)*	0.1 (0)*
Share of national disposable income held by the poorest 20%	7.2 (7.7)*	-0.1 (0)*

** OECD average*

C. The gap in labour productivity persists
Gap to the upper half of OECD countries[4]



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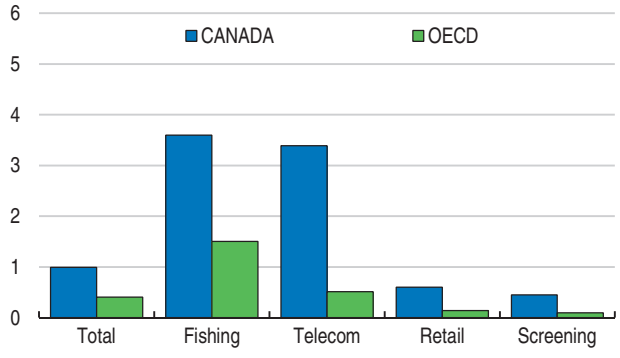
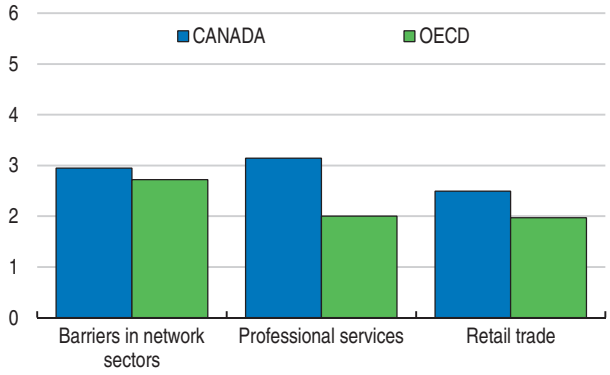
StatLink http://dx.doi.org/10.1787/888933454952

Policy indicators

A. Barriers to FDI are comparatively high
Index scale of 0-6 from least to most restrictive, 2015



B. There remains room for lowering barriers to competition in network services
Index scale of 0-6 from least to most restrictive, 2013



Source: Panel A: OECD, *FDI Regulatory Restrictiveness Index Database*; Panel B: OECD, *Product Market Regulation Database*.

StatLink http://dx.doi.org/10.1787/888933455414

Agreement on Internal Trade, as broad as possible, notably by including energy. In the CFTA, prohibit agricultural supply management regimes, which are highly distortionary. Reconcile remaining regulatory differences (possibly via mutual recognition). Establish a pan-Canadian regulatory co-operation council to harmonise legislation, standards and regulations. Expedite dispute resolution and raise monetary penalties for non-compliance.

Enhance access to post-secondary education and its responsiveness to skills demand. Better access to post-secondary education for disadvantaged groups and the acquisition of skills in demand would boost incomes and reduce inequalities.

Actions taken: The Provincial-Territorial Apprentice Mobility Agreement, which came into effect in September 2015, is being implemented. It provides apprentices with greater recognition of their training, work experience and examination results when moving between provinces or territories. Apprenticeship training requirements were harmonised in 10 Red Seal trades from January 2016. The Canada Apprentice Loan was introduced in January 2015. Canada Student Grants for students from low- and middle-income families and part-time students and repayment thresholds for student debt were increased in the 2016 federal budget. The Job Vacancy and Wage Survey, which provides regional information on occupational demand and wages, began in January 2016.

Recommendations: Work with provinces and territories to harmonise training and certification requirements for all apprenticeship programmes, thereby facilitating access to post-secondary qualifications for disadvantaged groups. Publish data on student labour market outcomes by tertiary education institution.

Improve the innovation framework. Focussing innovation measures on correcting market failures would strengthen the innovation framework and hence, productivity growth.

Actions taken: A new federal programme that helps high-impact innovative firms to scale up was announced in the 2016 federal budget. Support for innovation networks and clusters is to be increased from 2017. A new Innovation Agenda is being developed. Federal tax credits for provincial Labour-Sponsored Venture Capital Corporations (LSVCCs) were restored in the 2016 federal budget, despite poor performance.

Recommendations: Evaluate R&D subsidies to determine whether the substantially enhanced R&D tax credit for small companies and heavy reliance on indirect measures are efficient, and adjust subsidies accordingly. Phase out federal tax credits for provincial LSVCCs and explore whether to make greater use of funds that operate like private, independent, limited partnership venture capital funds.

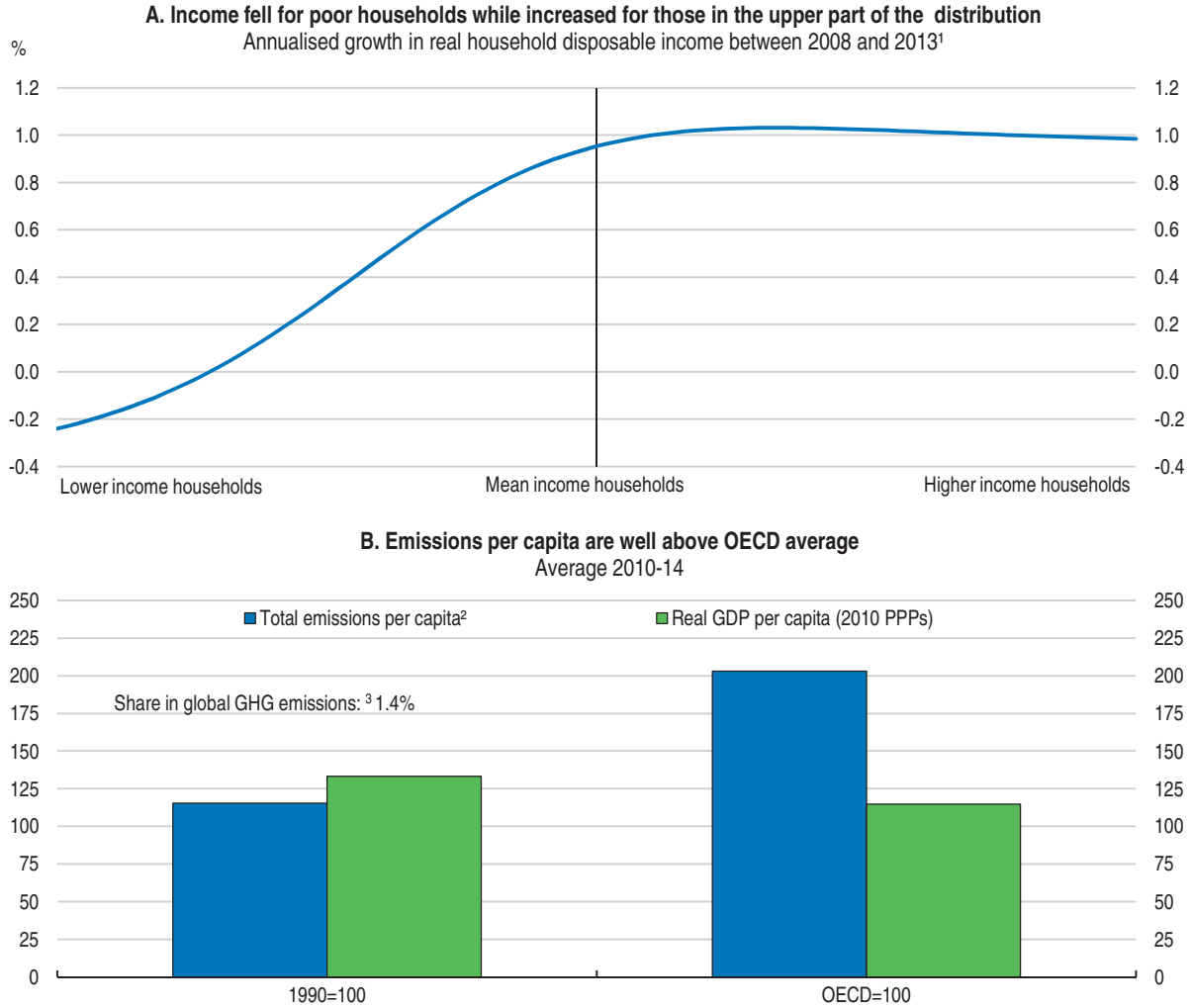
Reform the tax system. Reliance on taxes with high efficiency costs and the maintenance of unwarranted tax expenditures distort resource allocation, reducing productivity.

Actions taken: The 2016 federal budget confirmed a scheduled half percentage point reduction in the preferential small company income tax rate, increasing efficiency costs of tax expenditures. However, the budget also announced that further scheduled reductions in the rate had been deferred. The budget also promised a review of tax expenditures.

Recommendations: Increase environmental and value-added taxes, which are low, and reduce taxes with high efficiency costs, notably corporate and personal income tax rates. Review tax expenditures, including for small businesses, and eliminate those not warranted either by clear market failures or by equity objectives.

CANADA

Beyond GDP per capita: Other policy objectives



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StatLink http://dx.doi.org/10.1787/888933455870

CHILE

- The income gap related to the advanced OECD countries has narrowed, reflecting strong growth in labour force participation and physical capital, but the gap remains significant as a result of slow growth in productivity.
- Income inequality has declined somewhat in recent years, yet remains one of the highest among OECD countries. Poverty remains also very high.
- Progress has been made in improving the quality and equity of the education system following the implementation of initiatives at multiple education levels. Pro-competition amendments to regulations have been made, while increases in unemployment benefits have improved social benefits. A productivity agenda, complemented by further measures to boost the growth capacity of the economy, has also been rolled out.
- Embracing policies to promote female labour force participation, easing labour market regulation and extending unemployment insurance would increase labour supply, enhance labour market efficiency and contribute to growth. Increasing R&D to the level observed in countries at a similar level of development while facilitating industry and research linkages with public-private co-ordination would lift innovation and improve productivity. Improving the quality and equity of education while ensuring that the system meets labour market needs would increase employability among young workers, boost productivity, reduce inequalities and dampen the risk of social exclusion. The strengthening of innovation policies could help to boost growth and to protect the environment.

Going for Growth 2017 priorities

Improve quality and equity of the education system. Limited access to high-quality education lowers outcomes, inhibits productivity and increases income inequality.

Actions taken: Previously approved laws are under implementation and others under review in Congress. More recently, the Government sent the draft of the Reform of Higher Education to Congress, proposing a financing framework to ensure free access for all, the creation of a new institutional framework requiring mandatory accreditation of all higher education institutions, the strengthening of the National Council to co-ordinate public and private actors of vocational technical education, and the introduction of improvements in the admission system.

Recommendations: Fully implement the education reform. Introduce further incentives to promote technology-oriented fields such as engineering and basic science. Strengthen vocational education by updating curricula to better reflect job market developments. Undertake a skills strategy to assess labour market needs and guide training and education policies.

Enhance competition and ease regulatory procedures. Strengthening product market competition and facilitating regulatory procedures for businesses would boost productivity.

Actions taken: An amendment to competition laws, approved in 2016, criminalises cartels, punishes anti-competitive practices, sets higher fines for those who collude and makes merger notification compulsory.

Recommendations: Further reduce the complexity of administrative procedures for businesses and simplify sector-specific regulations.

CHILE

Growth performance and inequality indicators

A. Growth

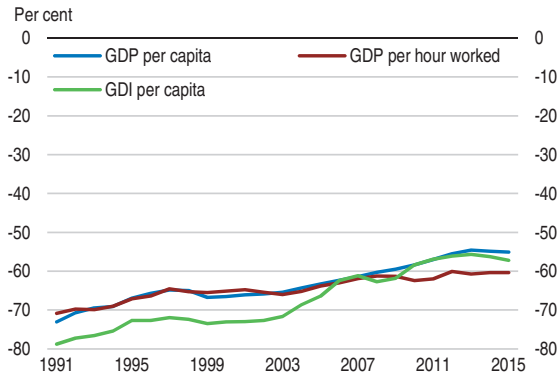
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		3.3	3.1
Labour utilisation		0.5	1.9
of which:	Labour force participation rate	0.6	1.3
	Employment rate[1]	0.0	0.6
	Employment coefficient[2]	0.0	0.0
Labour productivity		2.1	0.8
of which:	Capital deepening	1.4	1.4
	Total factor productivity	0.7	-0.5
Dependency ratio		0.6	0.3

B. Inequality

	Level	Annual variation (percentage points)
	2013	2009-13
Gini coefficient[3]	46.5 (31.7)*	-0.4 (0)*
Share of national disposable income held by the poorest 20%	4.9 (7.7)*	0.1 (0)*

** OECD average*

C. The gap in GDP per capita has stopped narrowing
Gap to the upper half of OECD countries[4]



1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

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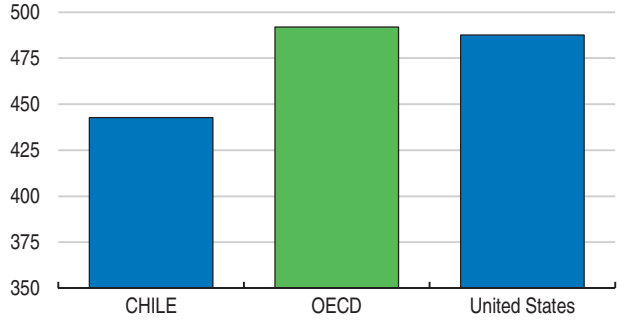
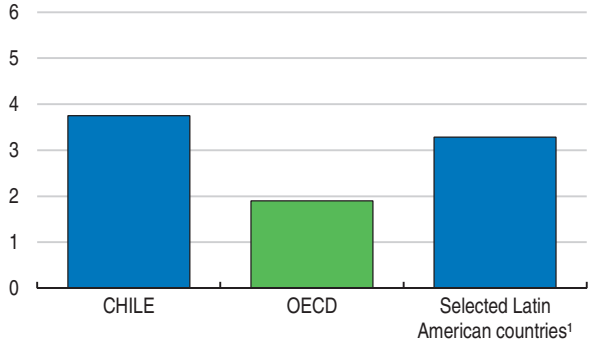
Policy indicators

A. Student performance is relatively weak
Average of PISA scores in mathematics, science and reading, 2015



B. Regulatory procedures for businesses are comparatively complex
Index scale of 0-6 from least to most restrictive, 2013



1. Average of Brazil, Chile and Colombia.

Source: Panel A: OECD, *PISA Database*; Panel B: OECD, *Product Market Regulation Database*.

StatLink http://dx.doi.org/10.1787/888933455427

CHILE

Ease employment protection legislation. Lowering severance pay for regular workers can reduce labour market segmentation, notably by increasing youth employment.

Actions taken: Congress approved in 2015 a bill that modifies unemployment benefits by increasing replacement rates and the upper and lower limits of monthly payments for both workers with open-ended and fixed-term contracts. The limit on the number of payments was increased by an additional month.

Recommendations: Lower the severance pay for regular workers to ease the adjustment of the regular labour force and to encourage the formalisation of employment.

Strengthen support to R&D and innovation. Chilean firms invest relatively little on innovation, missing important productivity gains.

Actions taken: The Productivity, Innovation and Growth Agenda, which supports entrepreneurship, innovation and strategic investments, is progressively implemented since 2014. In addition, the Government has adopted most of the 22 measures announced in 2016 to boost productivity and expand the growth capacity of the economy. The initiatives are concentrated in three areas: expanding programme funding, promoting exports of services, and simplifying procedures to facilitate entrepreneurship and investment.

Recommendations: In order to close the R&D spending gap related to countries at similar levels of development, expand direct R&D support, facilitate industry and research linkages, and promote public-private co-ordination to exploit natural endowments. Expand government financial support for advanced degrees in fields with substantial technological content, as scarcity of qualified workers in these areas limits R&D investment.

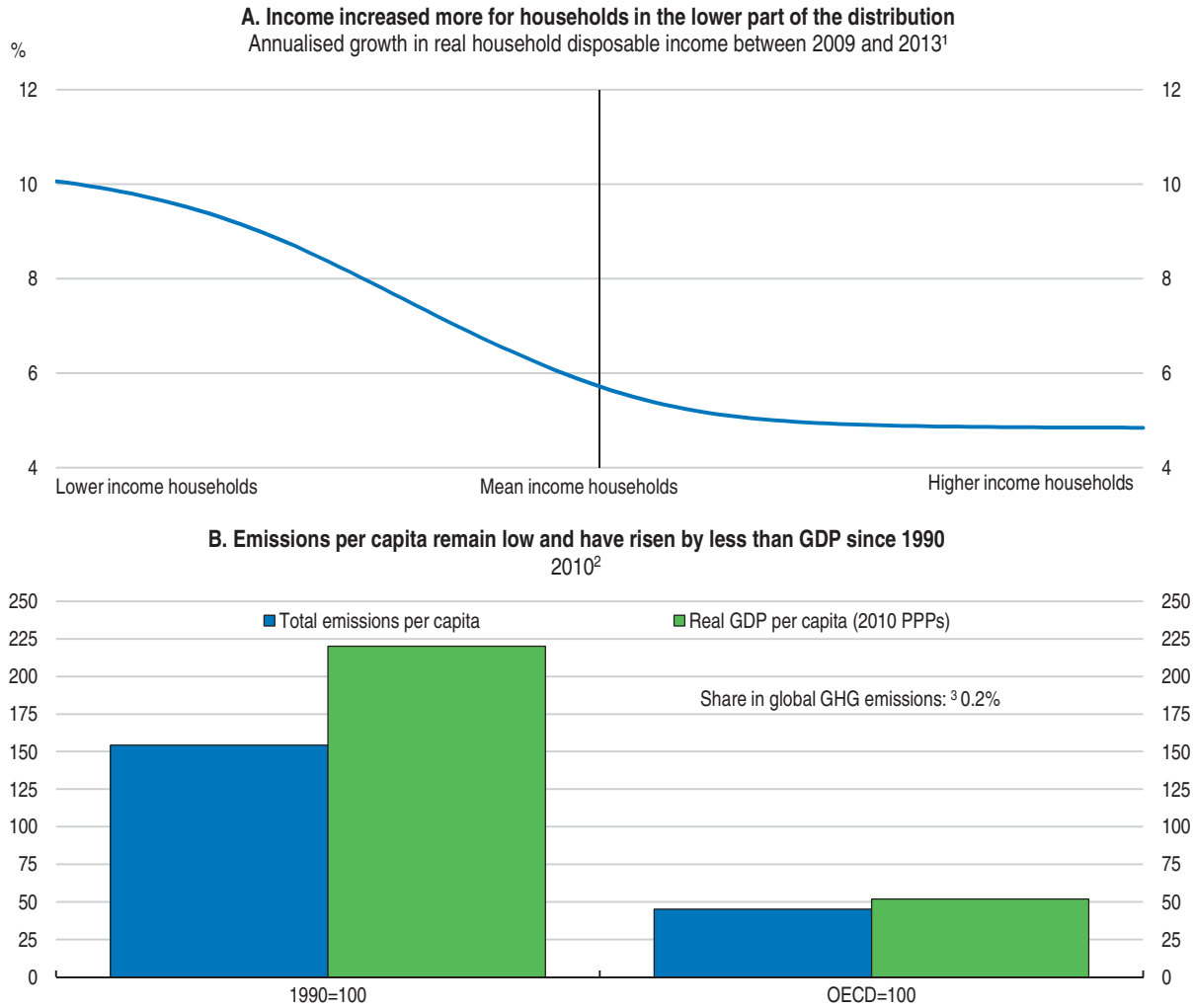
Strengthen policies to foster female labour force participation. Encouraging more women to join the labour market can increase employment, contributing to growth.

Actions taken: A Ministry of Women and Gender Equity was created in 2016. The current government is building more than 3 000 childcare centres during the period 2014-18, and expanding spaces in existing establishments.

Recommendations: Ensure rapid implementation of the plan to expand access to childcare.

CHILE

Beyond GDP per capita: Other policy objectives



1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2009 and 2013. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
2. Total GHG emissions in CO_2 equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933455881

CHINA

- GDP per capita continued to catch up with that of the upper half of OECD, though the New Normal – which puts more emphasis on the quality of growth – implies a slower catch-up. The income gap reflects lower output per worker as participation rates are above those in OECD countries.
- Income inequality as measured by the Gini for disposable income trended down after 2008 as the middle class expanded but remains well above the OECD average. Moreover, the richest quintile of the population holds a higher multiple of the poorest quintile's income than in OECD countries. Furthermore, the gap between urban and rural incomes has been narrowing in recent years.
- Progress is apparent in all key priority areas identified in *Going for Growth 2015*. In the spirit of allowing the market to play a greater role in allocating resources, price regulation at the central and sub-national levels has been substantially curtailed. Thus, reducing state involvement in business operations is no longer considered top priority. Administrative procedures to set up firms have been simplified and the licensing system has been revamped. Interest rates have been formally liberalised.
- In line with recent reforms introducing market mechanisms in various areas, the licensing and registration system should be streamlined further. Implicit guarantees should be phased out and the rule of law enhanced to create a more level playing field for all enterprises, which would lead to efficiency gains. A minimum standard of public services should be provided all over the country to lay the ground for more equal opportunities and reduce income inequalities. Abolishing the household registration system would promote social inclusion and deliver further productivity gains.
- The commitments to curb GHG emissions towards the goal of COP21 need to be met and the cost of polluting to be raised sufficiently for polluters to reduce emissions under the national cap-and-trade carbon emissions system to be rolled out from 2017. The sanctions for violations of environmental laws and regulations should be sufficiently severe to act as an effective deterrent.

Going for Growth 2017 priorities

Further reduce administrative burden on start-ups and encourage private entry.[*1] Administrative simplification reforms in the past couple of years have substantially reduced the burden on firms and individuals, increasing overall efficiency, but there is still ample room to advance reforms further. Entry barriers restrict competition in a number of industries.

Recommendations: Further streamline the system governing licenses and fees to realise further efficiency gains. Move towards a "one-stop-shop" model of business registration. Ensure country-wide implementation of reform measures. Open up more sectors to private and foreign entry to ensure efficiency-enhancing competition.

Ensure a better match between skills available and those demanded in the market. Tertiary graduation rates have increased in recent years but are still relatively low. Moreover, many graduates do not appear to have the skills required by the labour market, making it difficult for them to find a job. Fast-track training courses help obtaining various licenses, but the lack of in-depth knowledge of the field and of sufficient practice endanger the quality and safety of goods or services provided.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

CHINA

Growth performance and inequality indicators

A. Growth

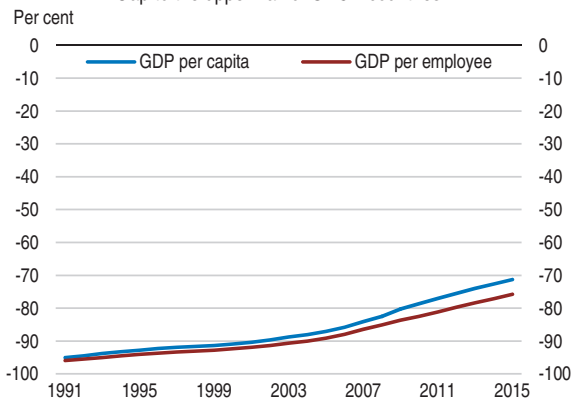
Average annual growth rates (%)	2003-09	2009-15
GDP per capita	10.6	7.8
Labour utilisation[1]	-0.1	-0.1
Labour productivity	10.7	7.9

B. Inequality

	Level	Annual variation (percentage points)
	2016	2008-16
Gini coefficient[2]	46.5	-0.3

C. The large gaps in GDP per capita and productivity continue to narrow rapidly

Gap to the upper half of OECD countries[3]



1. Labour utilisation is defined as the ratio of total employment over population.
2. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
3. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita and GDP per employee (in constant 2010 PPPs).

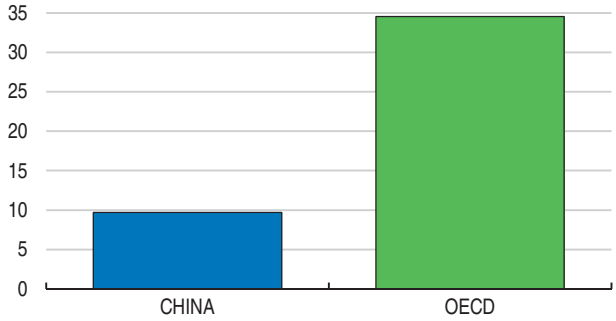
Source: World Bank, *World Development Indicators (WDI) Database*; China Ministry of Human Resources and Social Security; National Bureau of Statistics of China.

StatLink http://dx.doi.org/10.1787/888933454976

Policy indicators

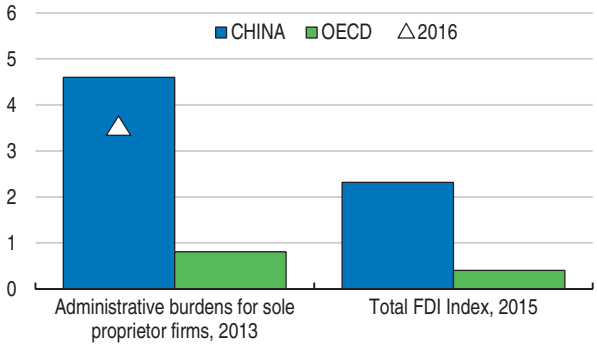
A. Tertiary attainment remains well below the OECD average

Percentage of 25-64 year-olds who have attained tertiary education, 2015



B. Administrative burdens on start-ups and barriers to FDI are high

Index scale of 0-6 from least to most restrictive



Source: Panel A: OECD, *Education at a Glance 2016: OECD Indicators*; Panel B: OECD, *FDI Regulatory Restrictiveness Index* and *Product Market Regulation Databases*.

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CHINA

Actions taken: Training programmes focusing on migrant workers and urban residents with a low degree of employability have been set up from 2015. Employment agencies are now better regulated. Setting up vocational schools with foreign capital participation has been made easier.

Recommendations: Improve the matching between the skills acquired through the tertiary education system and those sought by the labour market: introduce new programmes and review curricula, textbooks as well as criteria for establishing the number of students that can be admitted to existing programmes. Make vocational education more attractive at all levels by hiring qualified teachers and establishing a good reputation for such programmes. Streamline licensing procedures for various qualifications and ensure minimum standards.

Strike a better balance between liberalisation and regulation in financial markets. Financial liberalisation brought to life a number of market players that are not subject to the same extent of regulation as traditional financial market participants.

Actions taken: Interest rates have formally been liberalised, with the exception of some policy rates. A deposit insurance system has been launched and the loan-to-deposit ratio regulation abolished, allowing smaller banks with a narrower deposit base to lend more. Internet finance regulation has been strengthened in 2015, though illegal fund-raising activities and defaults by person-to-person financial service providers have become widespread, prompting tightening of regulation in August 2016. Sub-national debt issuance is now regulated, but local government investment vehicles have been allowed to borrow again since 2015.

Recommendations: Remove implicit state guarantees to public entities to enhance risk pricing by financial markets. Enhance financial literacy through financial education from an early age.

Reduce barriers to labour mobility and strengthen social security and public service provision. Individual opportunity is largely determined by whether one is born in a rural or urban area with the respective registration system, curtailing labour mobility and leading to persistent income inequalities. Social security coverage and the quality of public services differ significantly between urban and rural areas.

Actions taken: Permanent residence cards have been introduced in a number of cities, but still a minority. In the largest cities it is still not common for migrants to get public education for their children and health insurance coverage for their families. Unregistered people who are otherwise eligible for a residential permit or *hukou* from 2016 can legalise their status.

Recommendations: Ensure equal education for all, regardless of registration status**.** Unify healthcare insurance at the national level so that services can be obtained country-wide. Establish a minimum standard of public services all over the country to avoid overcrowding in the largest cities.

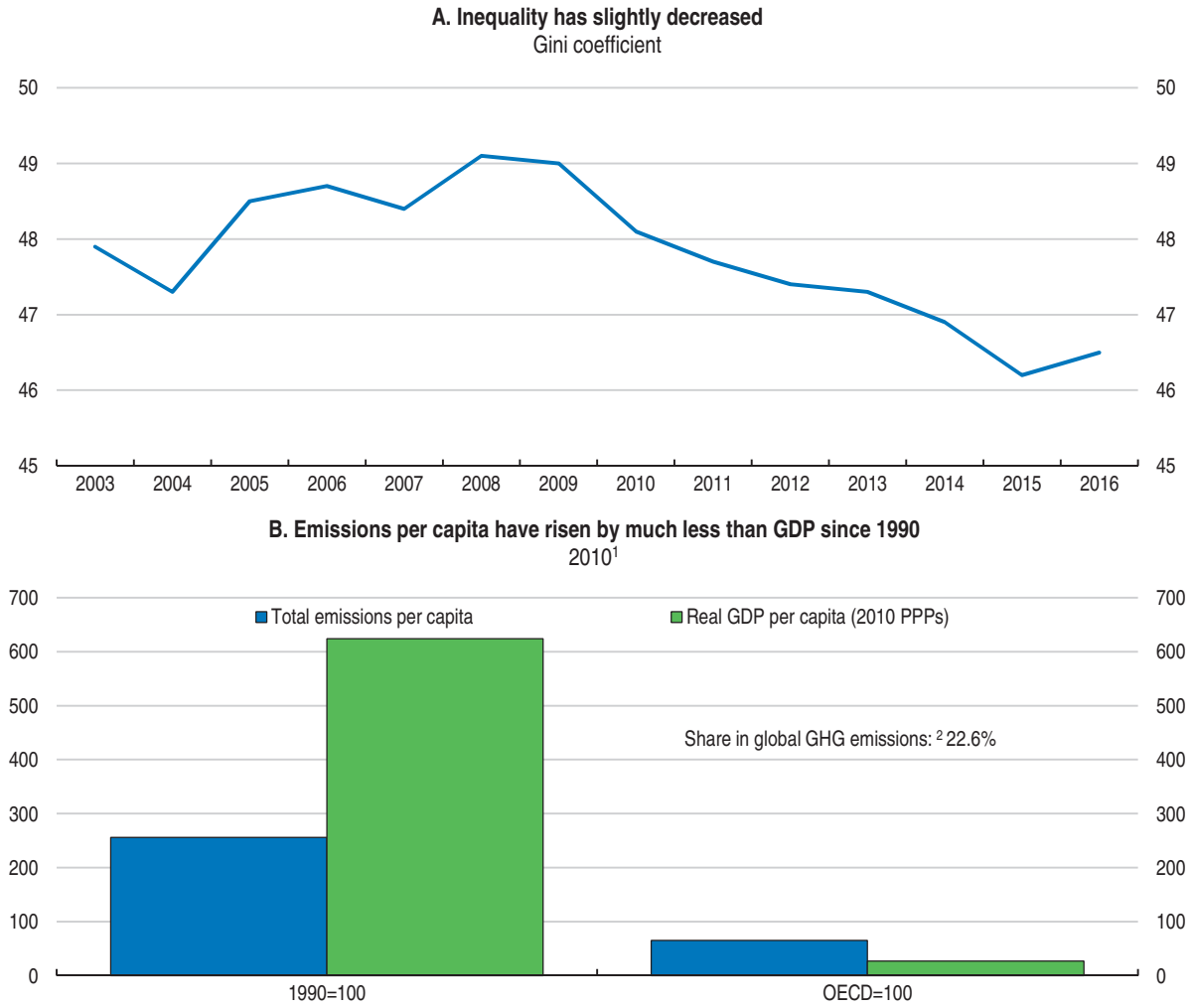
Enhance the rule of law. Non-compliance with laws and regulations is widespread and a lack of transparency in many aspects of business provides room for discretionary decisions. Scarcity of and queuing for certain public services creates lucrative opportunities for arbitrage seekers, who obtain and re-sell access to those who pay most, but at the cost of depriving the less wealthy from access.

CHINA

Actions taken: Business operations have become more transparent as the annual review of enterprises has been replaced by an annual disclosure of enterprise reports. As part of strengthening the judicial system, Shenzhen has started a pilot reform separating the career streams of judges and prosecutors in December 2014.

Recommendations: Make annual enterprise reports publicly available to reduce the scope for misleading advertising and fraud. Stiffen sanctions for forging documents, violations of disclosure requirements and other unlawful business conduct.

Beyond GDP per capita: Other policy objectives



1. Total GHG emissions in CO_2 equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: China National Bureau of Statistics; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933455893

COLOMBIA

- The large income gap related to advanced OECD countries has been narrowing, reflecting strong growth in labour productivity.
- Progress has been made in making growth more inclusive; however, income inequality remains one of the highest in the world. Differences across regions in labour market outcomes and the level and quality of education are important factors behind the high levels of income inequality and poverty in the country.
- The government recently launched programmes to expand school coverage and better link training centres with firms' demands. It has also approved customs codes, which will reduce important bottlenecks for international trade. Important advancements have also been made regarding infrastructure. The ongoing 4G infrastructure agenda can have a significant impact on growth that could be amplified by the recently launched plan to improve multimodal transportation logistics, which will also contribute to reduce regional inequalities.
- Broadening access to quality education and training is essential for boosting labour productivity and reduce income inequality.
- By giving access to under-utilised rural areas, the expected end of the peace process will bring important opportunities for growth but also create a risk to long-term natural resource sustainability. Improving management of forest, land, and natural resource and land-use planning, is required to avoid unsustainable deforestation and land degradation.

Going for Growth 2017 priorities

Improve efficiency and equity in education. Limited access to high-quality education lowers outcomes, inhibits productivity and increases income inequality.

Actions taken: The government launched in 2015 programmes to expand school coverage and better link training centres with firms' demands.

Recommendations: Continue **s**trengthening efforts to broaden access to pre-primary education and increase its quality. Increase investment in early childhood education and care. Increase the accountability of tertiary educational institutions by conditioning funding partially on student performance, teaching staff indicators and labour market relevance. Expand and better target the interest-free loans provided by the Colombian Institute of Student Credit to low-income students.

Enhance* ex ante *assessment and supervision of infrastructure investment. Infrastructure gaps remain large, constraining productivity growth and contributing to wide regional disparities.

Actions taken: After a number of years in the planning, the Fourth Generation (4G) road concessions are now under way since the second half of 2015, starting with the first wave of nine projects. In 2015 the national infrastructure agency implemented new policies to ensure that projects remain on schedule.

Recommendations: Focus on the implementation of the 4G projects and ensure that the PPPs supporting them have proper ex ante cost-benefit analysis and evaluation. Carry out environmental and social assessments before granting contracts. Implement the overall plan to improve multimodal transportation, with special emphasis on tertiary roads, which stand to complement and amplify the benefits of the 4G agenda and foster agriculture and regional development.

COLOMBIA

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		3.5	3.3
Labour utilisation		-0.2	1.5
of which:	Labour force participation rate	-0.6	0.9
	Employment rate[1]	0.4	0.6
	Employment coefficient[2]	0.0	0.0
Labour productivity		3.0	1.4
of which:	Capital deepening	-0.1	0.8
	Total factor productivity	3.1	0.6
Dependency ratio		0.7	0.4

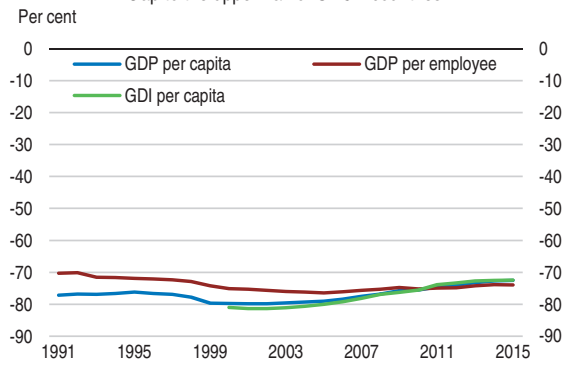
B. Inequality

	Level	Annual variation (percentage points)
	2014	2009-14
Gini coefficient[3]	53.5 (31.7)*	-0.5 (0)*
Share of national disposable income held by the poorest 20%	3.4 (7.7)*	0.1 (0)*

** OECD average*

C. The large gaps in GDP per capita and productivity are being slowly reduced

Gap to the upper half of OECD countries[4]



1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per employee and GDI per capita (in constant 2010 PPPs).

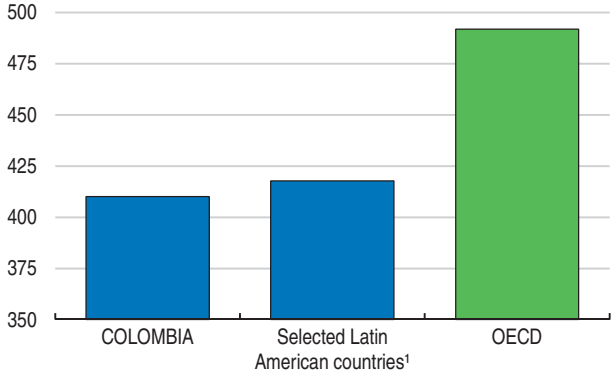
Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: World Bank, *World Development Indicators (WDI) Database*; Panel C: OECD, *National Accounts and Productivity Databases*; World Bank, *World Development Indicators (WDI) Database*.

StatLink http://dx.doi.org/10.1787/888933454987

Policy indicators

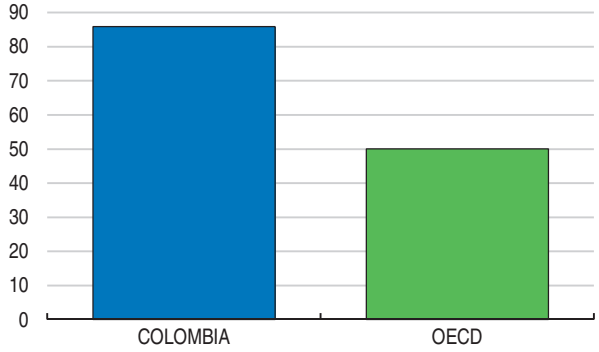
A. Student performance is relatively low

Average of PISA scores in mathematics, science and reading, 2015



B. The high minimum wage hinders formal sector job creation

Ratio of minimum to median wage, %, 2015



1. Average of Chile, Mexico and Brazil.

Source: Panel A: OECD, *PISA Database*; Panel B: OECD, *Employment Outlook Database*.

StatLink http://dx.doi.org/10.1787/888933455440

COLOMBIA

Reform the minimum wage. The minimum wage continues to be relatively high, promoting informal labour force participation.

Actions taken: No action taken.

Recommendations: Contain the pace of increases in the minimum wage to gradually reduce its level relative to the median wage. Differentiate minimum wages for youth in order to better account for differences in productivity in relation to more experienced workers.

Reduce non-wage labour costs. Labour costs remain high, promoting duality in the labour market, and contributing to relatively high levels of unemployment and informality.

Actions taken: No action taken.

Recommendations: Lowering severance pay for regular workers can reduce labour market segmentation and increase youth employment. Change the tax mix by reducing contributions and fees and financing social expenditures with less distortive revenue sources such as property and environmental taxes and by broadening VAT and income tax bases.

Improve R&D support and its efficiency. Colombian firms tend to invest relatively little in innovation, missing important productivity gains.

Actions taken: No action taken.

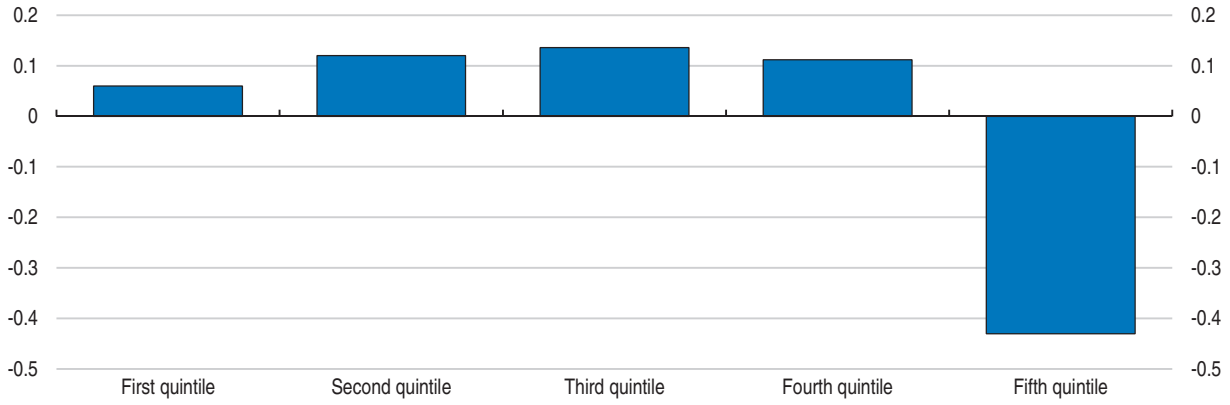
Recommendations: To close the R&D spending gap vis-à-vis countries at similar levels of development, facilitate industry and research linkages, and promote public-private co-ordination to exploit natural endowments. Strengthen governance in science, technology and innovation to make the best use of the increased funding under the new royalty system for subnational STI projects.

COLOMBIA

Beyond GDP per capita: Other policy objectives

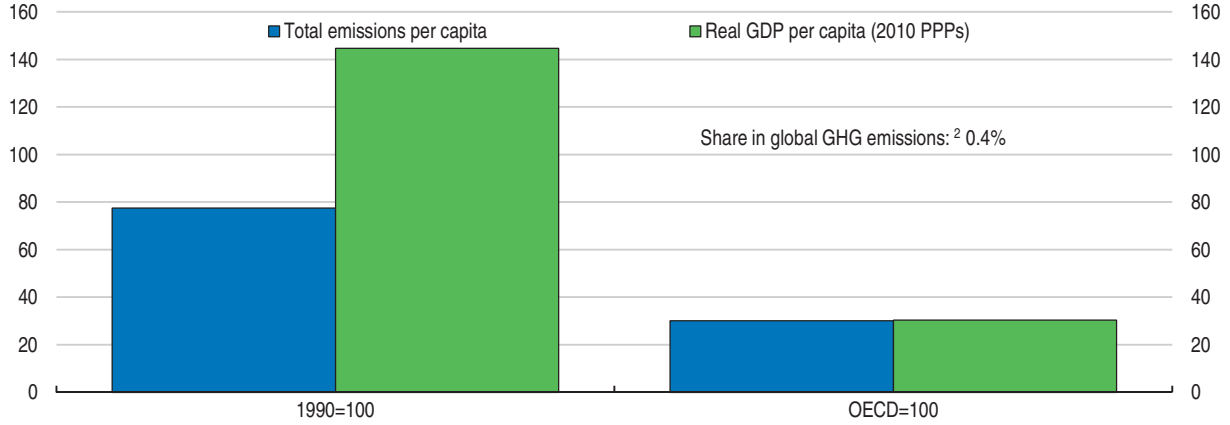
A. The share of national income accruing to the top of the distribution decreased to the benefit of the rest of the distribution

Annualised percentage points growth in quintile shares between 2009 and 2014



B. Emissions per capita are below the 1990 level

2010[1]



1. Total GHG emissions in CO_2 equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: World Bank, *World Development Indicators database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933455901

COSTA RICA[1]

- The gap in GDP per capita against the advanced OECD countries is narrowing but remains large. Labour productivity improvements have been strong due to a marked increase in total factor productivity, but gains in labour utilisation have been modest, slowing convergence toward OECD countries' standards of living.
- Inequality is high by OECD and Latin America standards but has been stable in the last few years, after having increased in the 5 years prior to the crisis. This is in contrast with many other Latin American economies where inequality has diminished.
- Policy reforms and institutional changes could put Costa Rica on a path to stronger and more inclusive growth. One of the main priorities is to improve competition policy and the governance of state-owned enterprises. Promoting innovation and enhancing transport infrastructure would also boost productivity. Such reforms need to go hand in hand with making Costa Rica a more inclusive society by improving the quality of education and reducing barriers to formal employment, thus expanding opportunities and sharing prosperity more widely.
- Costa Rica is well known for its efforts to reconcile environmental protection (especially forest protection) with rising material living standards. However, decarbonising the economy will require significant reduction in the transport sector's CO_2 emissions.

Going for Growth 2017 priorities

Improve regulations in product markets. Competition is weak and the role of state-owned enterprises is pervasive in many sectors, hampering productivity.

Recommendations: Improve the business environment by reducing regulatory barriers to entrepreneurship. Give the competition commission more decisional and administrative independence and raise its human and financial resources. Eliminate anti-trust exemptions. Improve the corporate governance of state-owned banks and enterprises by adopting the OECD *Guidelines on Corporate Governance of State-Owned Enterprises*. Eliminate regulatory asymmetries favouring state-owned banks and introduce a deposit-insurance scheme covering the whole banking sector.

Enhance the quality and efficiency of the education system. Spending on education is high relative to OECD standards, but outcomes are poor. Average school attainment and the quality of education remain low. Repetition and drop-out rates are high and concentrated in low-income households.

Recommendations: Establish better educational outcomes as the main policy target, with special emphasis on improving the performance of disadvantaged students and schools. Expand publicly-funded early-childhood education for children below 4 years old, specifically targeting low-income households. Provide additional support to disadvantaged students and schools by scaling up early detection and tutoring classes. Develop an apprenticeship system that closely involves employers. Establish schools evaluation mechanisms and introduce performance-based teacher pay. Make the university system more responsive to labour market needs by introducing funding mechanisms that encourage a better alignment of courses and curricula with skills demand.

1. Since this country is covered for the first time in *Going for Growth*, structural reform priorities are all new by definition, which implies that there is no follow-up on actions taken on those priorities.

COSTA RICA

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		3.0	2.6
Labour utilisation		0.2	0.0
of which:	Labour force participation rate	0.4	0.4
	Employment rate[1]	-0.2	-0.4
	Employment coefficient[2]	0.0	0.0
Labour productivity		2.1	2.1
of which:	Capital deepening	0.0	-0.1
	Total factor productivity	2.1	2.2
Dependency ratio		0.7	0.5

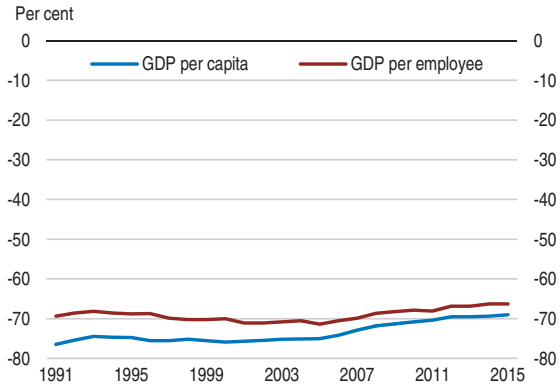
B. Inequality

	Level	Annual variation (percentage points)
	2014	2009-14
Gini coefficient[3]	48.5 (31.7)*	-0.5 (0)*
Share of national disposable income held by the poorest 20%	4.2 (7.7)*	0.1 (0)*

** OECD average*

C. Gaps in GDP per capita and productivity are being reduced but remain large

Gap to the upper half of OECD countries[4]



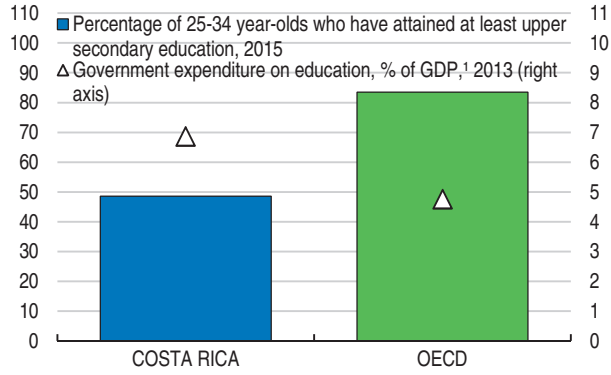
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita and GDP per employee (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: World Bank, *World Development Indicators (WDI) Database*; Panel C: OECD, *National Accounts and Productivity Databases*; World Bank, *World Development Indicators (WDI) Database*; ILO, *Key Indicators of the Labour Market (KILM) Database*.

StatLink http://dx.doi.org/10.1787/888933454999

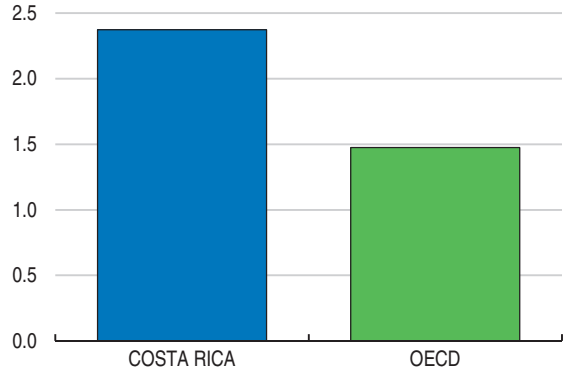
Policy indicators

A. Spending on education is high but outcomes are low



B. There is scope to ease regulation in product markets

Index scale of 0-6 from least to most restrictive, 2013



1. Data refer to 2011 for Costa Rica.

Source: Panel A: OECD, *Education at a Glance 2016: OECD Indicators* Database and OECD (2016), *OECD Economic Surveys: Costa Rica 2016: Economic Assessment*; Panel B: OECD, *Product Market Regulation Database* and *OECD-WBG Product Market Regulation* for Costa Rica.

StatLink http://dx.doi.org/10.1787/888933455454

COSTA RICA

Reduce barriers to formal employment. The share of informal employment is high by OECD standards. Contrary to recent developments in some other Latin American countries, informality has increased markedly in recent years, making the labour market far from inclusive.

Recommendations: Adopt a comprehensive strategy to reduce high labour market informality by strengthening enforcement, reducing administrative burdens on start-ups, and enabling the poor to become formal workers. Lower social security contributions, with a focus on segments where informality is rampant, such as workers in construction, agriculture and domestic work. Set-up one-stop shops for facilitating the formalisation of micro and small firms. Simplify the minimum wage structure and enforce compliance with the law.

Upgrade transport infrastructure. Transport infrastructure is deficient due to a complex institutional setting and low co-ordination among agencies, leading to low and ineffective spending.

Recommendations: Streamline the institutional and legal framework of public-work agencies to improve policy design and project execution in transport and other infrastructure sectors. Establish a clear separation of state-owned enterprises' activities in the transport sector by distinguishing between the regulation and the provision of infrastructure services and between the management of and access to the infrastructure network. Move the National Concession Council within the Ministry of Finance. Start fully recording contingent liabilities arising from private participation in infrastructure. Define and apply clear standards for cost-benefit analysis for infrastructure projects. Define and update a clear and reliable infrastructure project pipelines.

Strengthen innovation policies. Innovation spending is well below OECD standards, similarly to peer Latin American countries, hampering productivity growth and economic catch-up.

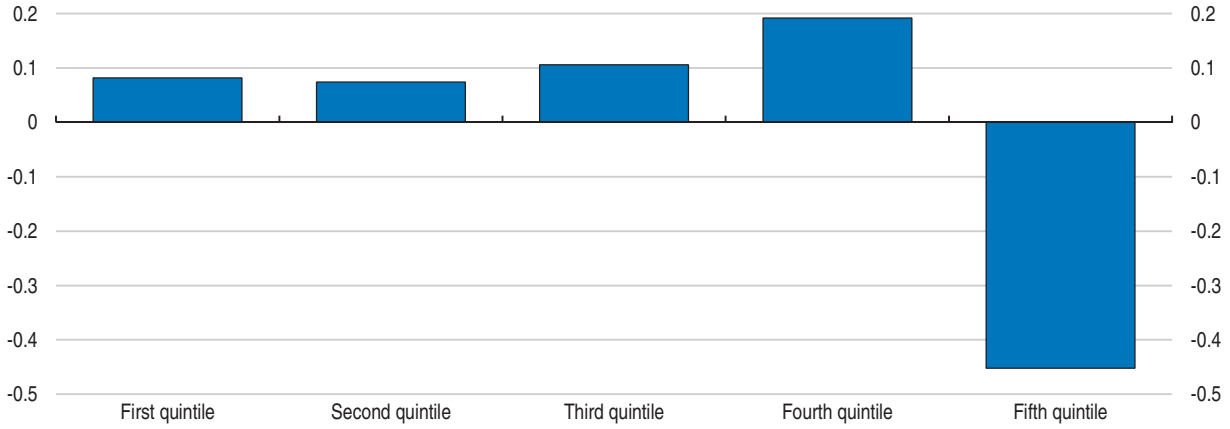
Recommendations: Encourage innovation and improve the links between domestic and foreign firms, by better enforcing and implementing intellectual property rights to promote business R&D and shifting public R&D spending towards tertiary education institutions to strengthen linkages with local innovative companies and improve job prospects for technical graduates. Improve the co-ordination of public programmes promoting innovation in local firms and linkages with foreign affiliates.

COSTA RICA

Beyond GDP per capita: Other policy objectives

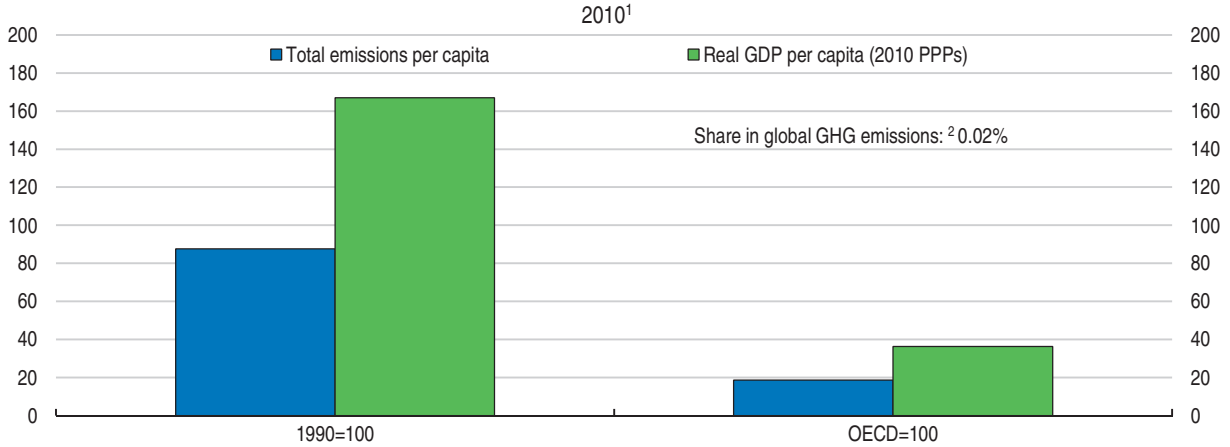
A. Household income for the poor and the middle class increased

Annualised percentage points growth in quintile shares between 2009 and 2014



B. Emissions per capita are below the 1990 level

2010[1]



1. Total GHG emissions in CO_2 equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: World Bank, *World Development Indicators database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933455915

CZECH REPUBLIC

- Convergence in incomes and productivity has slowed down since the 2008 crisis, reflecting mainly a deceleration in total factor productivity. GDP per capita remains 36% below the average of the most advanced OECD countries.
- Inequality has been stable, remaining below the OECD average. The poorest 20% of households receive close to 10% of total disposable income, which is a larger share than in the OECD on average.
- In recent years, policies to expand access to childcare increase the linkages between the education system and employers and encourage greater collaboration in R&D between businesses and research institutions have addressed some of the *Going for Growth 2015* priorities. Tax reform has been dropped as a standalone policy priority but there is considerable scope for reform to promote inclusive growth. The average tax wedge for low-income earners should be lowered and the progressivity of the tax system should be increased. Furthermore, the overall tax burden should still be shifted from direct to less distorting taxes, such as environmental and immovable property taxes.
- Improving the effectiveness of the public sector would support productivity growth and raise the quality of public services for all. More co-ordination and oversight, better planning and evaluation, and greater focus on measuring and publishing outcomes and results would increase the effectiveness of public spending. More efforts are needed to overcome the challenges of territorial fragmentation, using joint provision of services and benchmarking service providers. Deeper reforms to improve gender equity in the labour market and make the education system more equitable and improve skill development would increase incomes and inclusiveness of growth. Measures to make R&D and innovation support more effective, strengthen the competitiveness of markets and improve the vocational education and training system are needed to foster productivity.

Going for Growth 2017 priorities

Make the labour market more gender inclusive. Helping parents to reconcile work and family would encourage more women to join the labour force and help close gender wage gaps.

Actions taken: "Micro nurseries" for children aged 6 months to 4 years are being piloted using EU funds. Changes to the Education Act in 2016 lowered the minimum age for kindergarten to two years (from three years) and one year of pre-school will be compulsory from September 2017. All children aged four will have the legal right to a kindergarten place as of 2017, and those aged three will have the right as of 2018.

Recommendations: Government spending on childcare and early childhood education should increase to help expand availability. Effectiveness of recent policies to expand childcare availability should be monitored. Conditional on an adequate supply of affordable and high quality childcare facilities, the maximum duration of parental leave should be reduced, with part reserved for fathers, and the parental allowance lowered commensurately with the tax credit for childcare expenses.

Enhance equity and outcomes in education. Strengthening skill development and school-to-work transitions would raise employment among low-skilled workers and facilitate the adoption of higher value-added production.

Actions taken: Recommendations and model contracts have been published for concluding a contractual relationship between employers and students. Amendments to the Higher Education Act in 2016 shift the system of accreditation towards being output-based with more performance reporting.

CZECH REPUBLIC

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		3.0	1.6
Labour utilisation		0.4	0.3
of which:	Labour force participation rate	0.1	0.2
	Employment rate[1]	0.2	0.3
	Employment coefficient[2]	0.1	-0.1
Labour productivity		2.6	1.5
of which:	Capital deepening	-0.6	-0.3
	Total factor productivity	3.2	1.7
Dependency ratio		0.1	-0.2

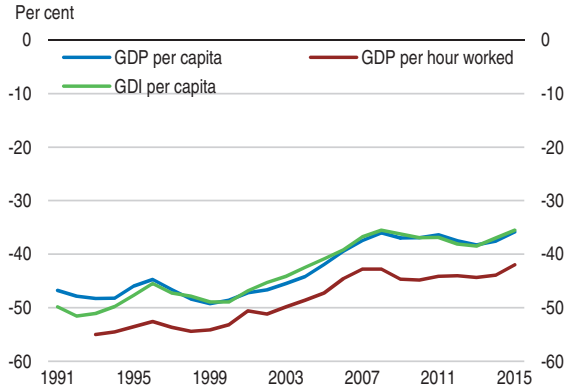
B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	26.2 (31.7)*	0 (0)*
Share of national disposable income held by the poorest 20%	9.7 (7.7)*	0 (0)*

** OECD average*

C. Convergence of income and productivity levels have recently resumed

Gap to the upper half of OECD countries[4]



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4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

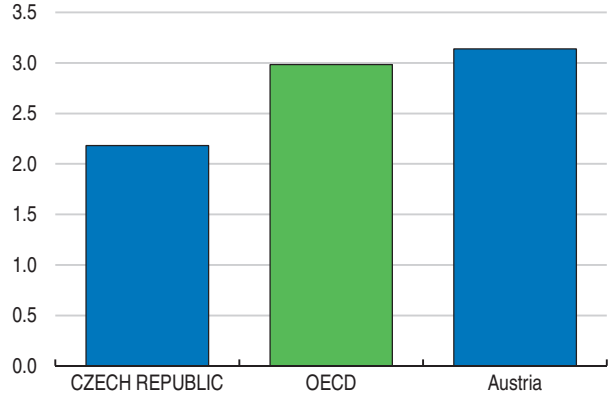
Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

StatLink http://dx.doi.org/10.1787/888933455003

Policy indicators

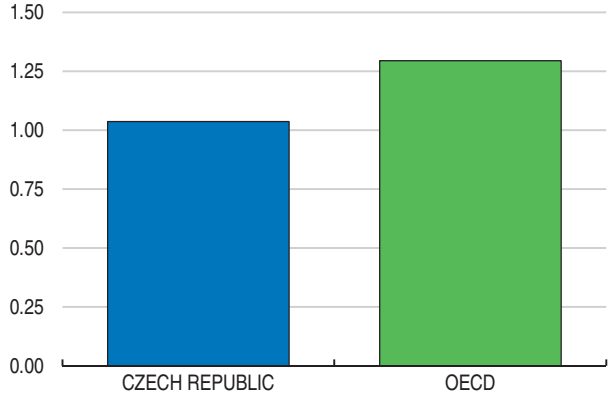
A. Public sector efficiency is relatively low

Public administration performance,[1] 2012



B. Business R&D intensity is low

Percentage of GDP, 2012-14



1. Composite performance indicator for public administration outcome based on OECD's Product Market Regulation Indicator (for 2008 and 2013) to proxy the levels of bureaucracy (33% of indicator) and results of the 2014 WEF survey on the quality of justice, level of corruption and government inefficiency (data for 2009 and 2013).

Source: Panel A: Dutu, R. and P. Sicari (2016), "Public Spending Efficiency in the OECD: Benchmarking Health Care, Education and General Administration", *OECD Economics Department Working Papers*, No. 1278; Panel B: OECD, *Science and Technology Indicators Database.*

StatLink http://dx.doi.org/10.1787/888933455463

CZECH REPUBLIC

Recommendations: Phase out early tracking. Ensure that the expansion of kindergarten is implemented effectively. Attract and retain high quality personnel in schools with pupils from low socio-economic background. Increase employers' participation in vocational training by simplifying the framework and governance of the system. Review the effectiveness of recently introduced incentives for encouraging employers to provide training. Ensure that the system of output-based accreditation for tertiary education is fully implemented and introduce student fees, accompanied by means-tested grants and income-contingent repayment loans.

Enhance competition in the domestic economy. A competitive service sector is key to boost value-added in production, stimulate innovation and exploit domestic sources of growth.

Actions taken: A policy document on state ownership is being prepared. In 2015 and 2016 the Office for the Protection of Competition issued decisions on cartels in the construction industry and the number of leniency applications increased.

Recommendations: Privatise and divest state-owned enterprises and activities in competitive sectors and segments. Concentrate governance of remaining state-owned enterprises within a single authority. Ensure that the leniency programme to unearth cartels works properly and that efforts to eliminate bid-rigging are successful. Remove the special sector regulation protecting small suppliers of food to retailing chains from the competition policy framework. Boost competition in vertically integrated industries via effective ownership unbundling or via holding structures with financial separation of activities.

Improve R&D and innovation policies. Raising business R&D spending and innovation performance would foster productivity and domestically driven growth.

Actions taken: In the past two years the government expanded programmes to encourage greater collaboration between businesses and research institutions as well as more business R&D spending, through the Technology Agency of the Czech Republic. The National Research, Development and Innovation Policy for 2016-20 aims to be an overarching document to ensure consistency across strategies and programmes. A new global evaluation framework for R&D support has been developed. A National Innovation Fund is being established.

Recommendations: Develop government co-financing schemes to complement grants and increase fiscal incentives for business R&D spending. Streamline the organisation and administration of policies by stepping up efforts to unify the design, assessment and co-ordination of research and development and innovation policies in a single institution. In particular, research institutions should be under the responsibility of the same institution.

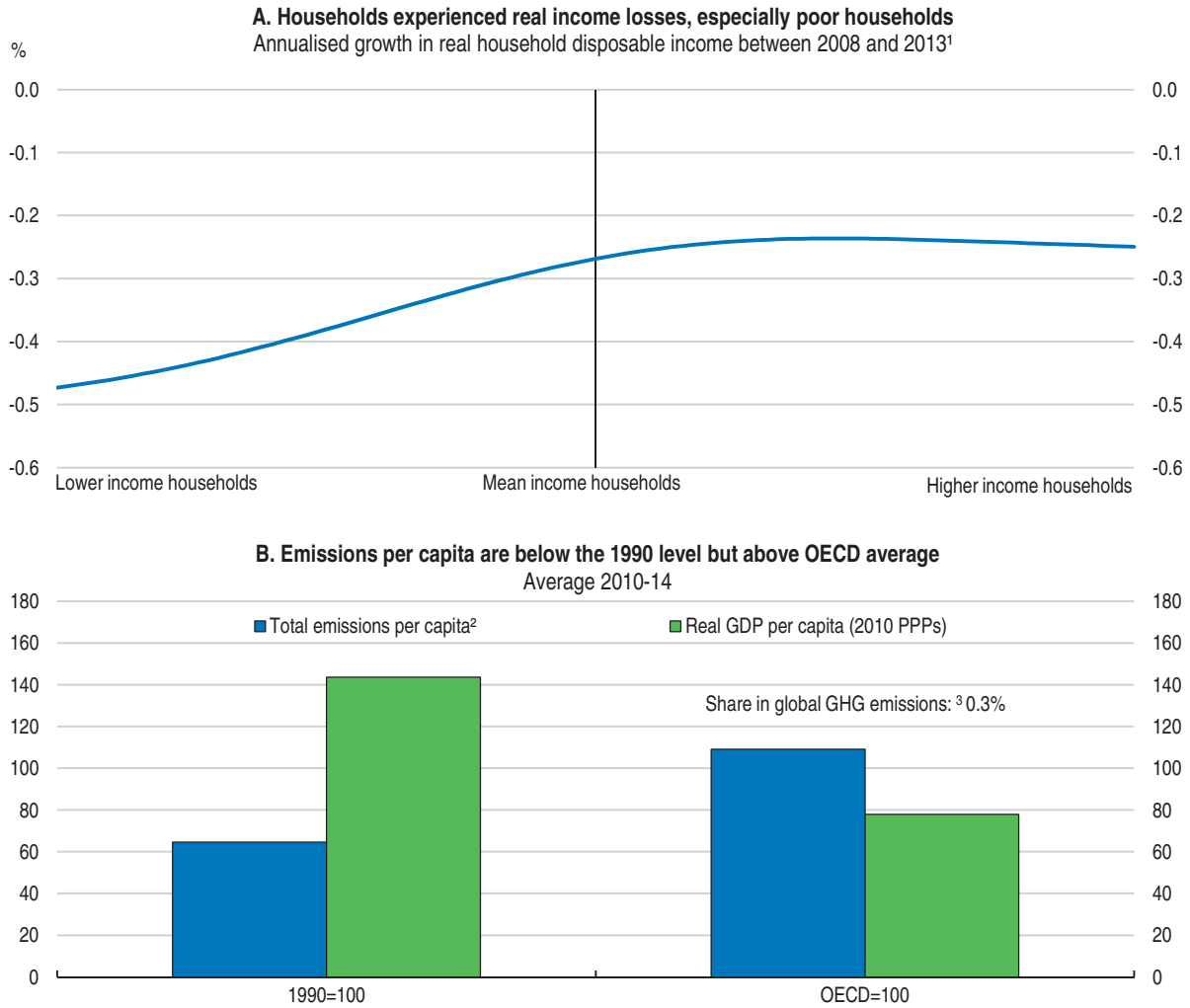
****Improve the effectiveness of the public sector.****[1] Lifting the performance of the public sector will support domestic productivity growth and higher quality public services for all citizens.

Recommendations: Improve the co-ordination of public investment by designating responsibility for co-ordination and prioritisation on the basis of highest social return and evaluating investment needs in a standardised way across sectors. Improve value-for-money in public procurement by increasing the use of joint procurement through improved tools and rules and increasing auditing. Use and publish standardised performance indicators for publicly funded activities at all levels of government. Establish framework conditions which help municipalities to reap the benefits from joint provision.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

CZECH REPUBLIC

Beyond GDP per capita: Other policy objectives



1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2008 and 2013. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
2. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933455924

DENMARK

- The small income gap relative to the most advanced OECD countries has steadily widened over the past decade, reflecting a drop in labour utilisation. The employment rate is falling from a high level and hours worked remain below the OECD average, while labour productivity growth has improved recently.
- Income inequality has risen over the past decade, although the Gini coefficient remains the lowest in the OECD. The increase in inequality mostly reflects movements among higher incomes. The income share held by the poorest 20% of the population has been unchanged at a level well above the OECD average.
- New entries in disability benefit schemes have decreased following a reform in 2013, partly addressing a long-standing *Going for Growth* priority. Thus, reforming sickness leave and disability schemes is no longer considered a top priority, although close monitoring and evaluation is warranted, including of the new rehabilitation programme that focuses on employing disabled. Some progress has been made in promoting competition, notably by easing access to regulated professions and relaxing zoning and planning regulation. Nonetheless, broader reform is needed. Reform of upper-secondary education is being implemented with the aim of enhancing quality and matching skills acquisition with labour market needs. A small reduction of the tax deductibility of mortgage interest payments is under way, but is insufficient to remove distortions in the housing market.
- Measures are needed to improve the weak economic performance, particularly compared with other countries in the region. These should aim at boosting productivity growth, notably by shifting the high tax burden to less distortive taxes, bolstering competition, improving educational outcomes, and fostering geographical labour mobility. A particular concern is that during the crisis, the labour market integration of immigrants deteriorated, pointing to a need for more inclusive measures to boost their employment rates.

Going for Growth 2017 priorities

Strengthen the labour market integration of migrants.[*1] The gap in employment rates between immigrants and natives is among the highest in the OECD and such integration failure tends to be transmitted to the following generation. Boosting immigrants' labour market participation and employability will help to foster growth, reduce social spending and expand the tax base.

Recommendations: Secure efficient implementation of social partners' agreement on entry wages and training programmes, improve the quality and implementation of integration programmes for immigrants: raise the quality of Danish language courses, ensure good access to and participation in training. For second generation immigrants, implement a broad integration strategy into the education system.

Shift the tax structure toward immovable capital. Favourable tax treatment of owner-occupied housing and a freeze of property taxes distort the housing market and fail to reduce house price fluctuations. Moving taxation away from personal income to housing would bolster work incentives and dampen the recurrent housing bubbles, securing a higher and more stable growth path.

Actions taken: Tax deductibility of mortgage interest is gradually being reduced from 30.5% to a still generous 25% by 2020 for interest costs exceeding DKK 50 000.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

DENMARK

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		0.3	0.8
Labour utilisation		0.0	-0.7
of which:	Labour force participation rate	0.0	-0.6
	Employment rate[1]	-0.1	0.0
	Employment coefficient[2]	0.2	-0.1
Labour productivity		0.1	1.4
of which:	Capital deepening	0.6	-0.3
	Total factor productivity	-0.5	1.8
Dependency ratio		0.1	0.1

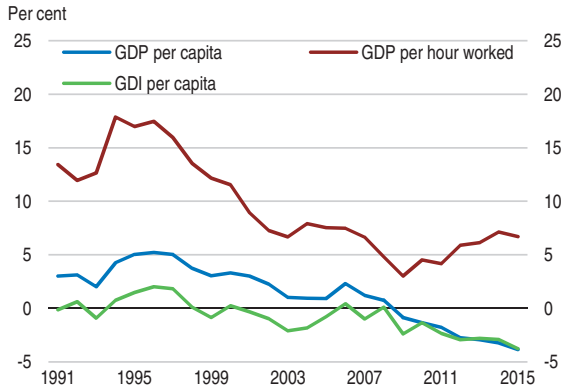
B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	25.4 (31.7)*	0.3 (0)*
Share of national disposable income held by the poorest 20%	9.8 (7.7)*	0 (0)*

** OECD average*

C. The small gap in GDP per capita continues to widen

Gap to the upper half of OECD countries[4]



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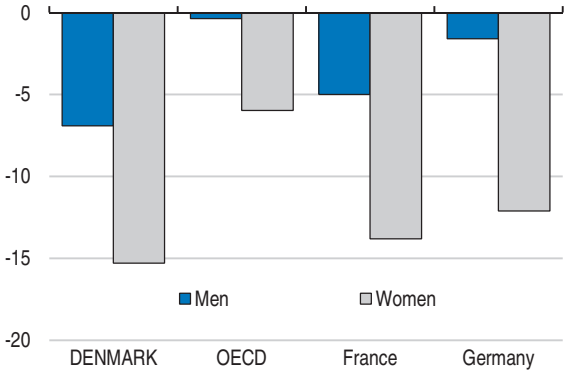
Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

StatLink http://dx.doi.org/10.1787/888933455017

Policy indicators

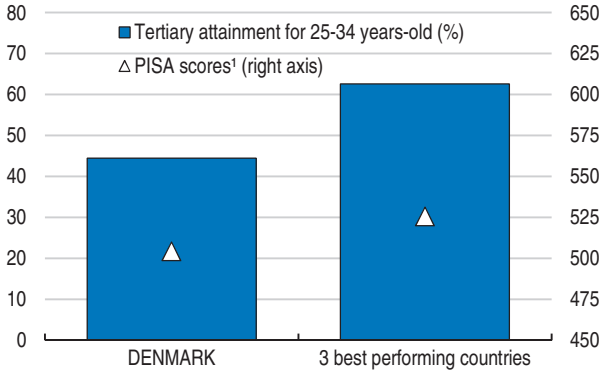
A. The gap in employment rate between immigrant and natives is large

Percentage points difference to native-born, 2015



B. Educational outcomes could be improved

2015



1. Average of PISA scores in mathematics, science and reading.

Source: Panel A: OECD, *Migration Statistics Database*; Panel B: OECD, *Education at a Glance 2016: OECD Indicators* and *PISA Database*.

StatLink http://dx.doi.org/10.1787/888933455470

DENMARK

Recommendations: Shift the tax burden further away from labour and corporate incomes, by raising taxes on immovable property and by eliminating the tax deductibility of mortgage interest. In addition, achieve tax neutrality across asset types for instance by subjecting immovable property to capital gain taxation.

Reduce distortions in the housing market. Housing subsidies and rent regulation reduce labour market mobility and put upward price pressure on the owner-occupied segment, notably in urban areas, hindering productive reallocation of labour resources.

Actions taken: A new rental housing act that came into force in 2015 changed refurbishment regulations and reduced contract termination requirements.

Recommendations: Ease rent regulation further and reduce housing subsidies. Improve targeting of housing subsidies by relying more on in-kind support for students and of social housing in general.

Strengthen competition and ease regulation in specific service sectors. Stronger competition, particularly in a number of domestically-oriented service sectors, would bolster productivity growth.

Actions taken: Rules concerning shop size and location will be eased in 2017. Also, more decision-making power on zoning and planning regulation is being transferred to municipalities. The Competition Board has become more professional with fewer and mostly academic members with additional support from a new advisory committee.

Recommendations: Further ease zoning and planning regulation in the service and construction sectors, streamline the institutional set-up for the competition authorities, and improve efficiency of public procurement rules.

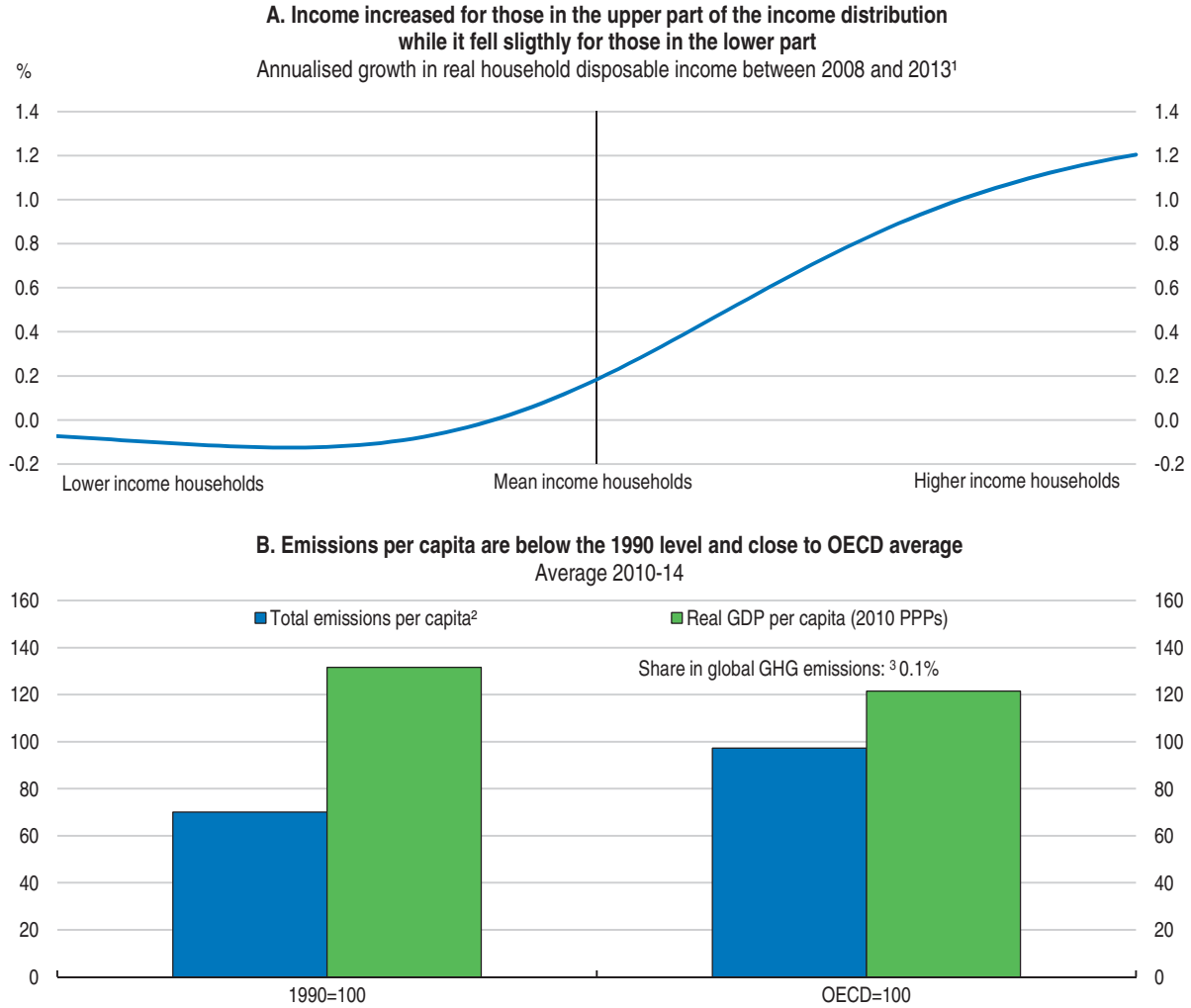
Improve the efficiency of the education system. A more efficient education system that provides higher quality would bolster human capital accumulation, boosting productivity growth.

Actions taken: Progress has been achieved in the implementation of the reform of the vocational education and training (VET) programmes that aims at raising their quality and attractiveness to better reflect labour market needs. In June 2016, a broad political agreement to reform upper-secondary education was reached. Notably, the number of study programmes that students can chose from should be reduced and better targeted to higher education. Moreover, entry requirements are to be strengthened.

Recommendations: Continue to develop the evaluation framework in compulsory and higher education. Develop VET programmes that reflect future structural changes in the economy and offer pathways to higher education. Improve adult learning by providing greater incentives for educational institutions to recognise prior learning, increasing the quality of courses and expanding on-the-job training opportunities. Reduce drop-out rates in upper-secondary education by focussing on early identification of weaker students and help them by developing targeted initiatives.

DENMARK

Beyond GDP per capita: Other policy objectives



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StatLink http://dx.doi.org/10.1787/888933455938

ESTONIA

- The gap in GDP per capita related to the most advanced OECD remains large and convergence has been slow in the aftermath of the crisis. Declining investment has constrained productivity growth.
- Income inequality, which is above the OECD average, has increased recently in particular as the poorest 20% lost ground.
- Significant legislative and budgetary measures proposed in *Going for Growth 2015* have been taken in order to boost vocational education, encourage the recipients of disability benefits to return to work and to reduce the labour tax wedge on low-income earners. These measures will reduce skill shortages and high structural unemployment.
- Improving collaboration in applied research between domestic and foreign institutions, strengthening infrastructure, in particular by expanding access to European transport networks, and shortening corporate insolvency procedures would accelerate productivity growth. Further strengthening vocational education would boost productivity of low wage workers, thereby making growth more inclusive.
- Aligning energy tax rates across different energy sources more closely and raising them according to their CO_2 content would help improve energy efficiency, which is lower than in most OECD countries.

Going for Growth 2017 priorities

Reduce skill mismatches by improving vocational education and activation. Shortages of skilled labour contribute to structural unemployment and constrain competitiveness while out-of-work working-age individuals face a higher poverty risk.

Actions taken: Legislation was passed in 2015 to introduce quality standards, increase the visibility of adult training, and launch a system for labour market monitoring and forecasting skill demands. A reform of disability benefits was implemented in mid-2016, improving access to activation for benefit recipients and strengthening the assessment of their capacity to work.

Recommendations: Improve access to upper-secondary vocational education by providing more financial assistance to students. Expand workplace-based training by introducing a tax-free lower minimum wage for apprenticeships. Strengthen collaboration of business and schools at the local level. Further increase overall spending on activation policies and target them at key risk groups, namely disability benefit recipients and youth not in employment, education or training.

Reduce labour taxation and costs in private pension schemes. High labour tax wedges on low-income earners and high operating costs of compulsory private funded pension pillar born by workers discourage employment.

Actions taken: The unemployment insurance contribution rate was reduced in 2015. The basic personal income tax allowance was raised in early 2015 and 2016. A further income tax reduction has been introduced in 2016 for low-pay workers.

Recommendations: Further reduce the tax burden on labour earnings by reducing social security contributions on low-pay workers. Abolish the lump-sum minimum social tax. Raise more revenue from real estate taxation by removing exemptions and by evaluating property according to market prices. Reduce the operating costs of compulsory private pension systems, in particular marketing expenses, through further disclosure of information on costs in a standardised manner.

ESTONIA

Growth performance and inequality indicators

A. Growth

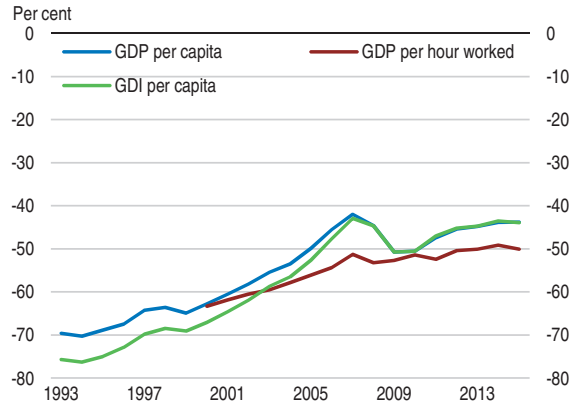
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		2.4	3.5
Labour utilisation		-0.2	2.2
of which:	Labour force participation rate	0.9	0.8
	Employment rate[1]	-0.6	1.4
	Employment coefficient[2]	-0.4	0.0
Labour productivity		2.6	1.9
of which:	Capital deepening	2.8	-0.1
	Total factor productivity	-0.2	2.0
Dependency ratio		-0.1	-0.6

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	36.1 (31.7)*	0.8 (0)*
Share of national disposable income held by the poorest 20%	6.3 (7.7)*	-0.2 (0)*

** OECD average*

C. Convergence in GDP per capita is slowing
Gap to the upper half of OECD countries[4]



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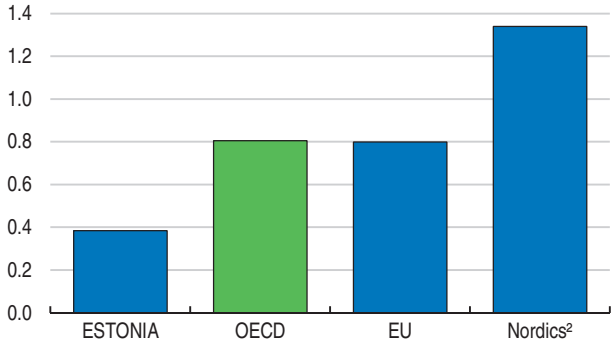
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

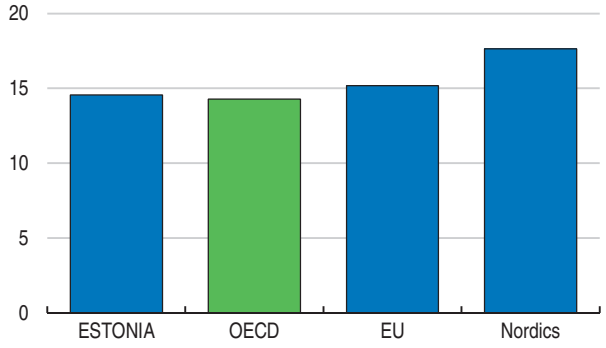
StatLink http://dx.doi.org/10.1787/888933455021

Policy indicators

A. Public spending on childcare[1] is low
Percentage of GDP, 2013



B. Collaboration on innovation between firms and higher education institutions is modest
As a percentage of product and/or process-innovating in SMEs, 2010-12



1. Public spending on childcare includes childcare and pre-primary. Childcare expenditure cover children under three years old enrolled in childcare and children between three and five years old enrolled in pre-school. Childcare refers to formal day-care services, such as day-care centres and family day-care. Pre-primary includes kindergartens and day-care centres which usually provide an educational content as well as traditional care for children (ISCED 0 under UNESCO's classification system).
2. Average of Denmark, Finland, Norway and Sweden.

Source: Panel A: OECD, *Family Database* (preliminary data); Panel B: OECD (2015), *OECD Science, Technology and Industry Scoreboard 2015: Innovation for growth and society*.

StatLink http://dx.doi.org/10.1787/888933455483

ESTONIA

Enhance the effectiveness of innovation policies. Expenditure on Research and Development is relatively high but has not resulted in more exports of high-tech products or faster productivity growth.

Actions taken: Financial support for the collaboration between research institutions and firms in applied research was stepped up in 2015, especially in key areas defined in the smart specialisation strategy. The government also adopted a regulation defining a framework for Estonia's participation in EU's Research, Development and Innovation partnerships.

Recommendations: Strengthen knowledge transfer to domestic firms, especially SMEs, by further promoting collaboration between firms and higher education institutes and between domestic and foreign research institutions. Hold inter-ministerial working groups co-ordinating innovation policies accountable and review their performance regularly. Shorten corporate insolvency procedures in order to promote entrepreneurship and resource allocation.

Promote efficiency in the regulation of energy markets. Low energy efficiency and uneven tax rates across energy sources are contributing to high CO_2 emissions.

Actions taken: The gasoline excise tax rate has been progressively raised and should increase by 10% by 2018. Diesel and light fuel oil excise rate were increased by 14% in 2016.

Recommendations: Further align and raise tax rates on energy sources according to the externalities they generate. Improve incentives for increasing efficiency in district heating, for instance by applying benchmark regulation. Raise incentives of households and building owners to invest in energy efficiency in building, for example by providing more financial support to low-income households for energy-saving investments. Adjust subsistence payments for changes in energy prices.

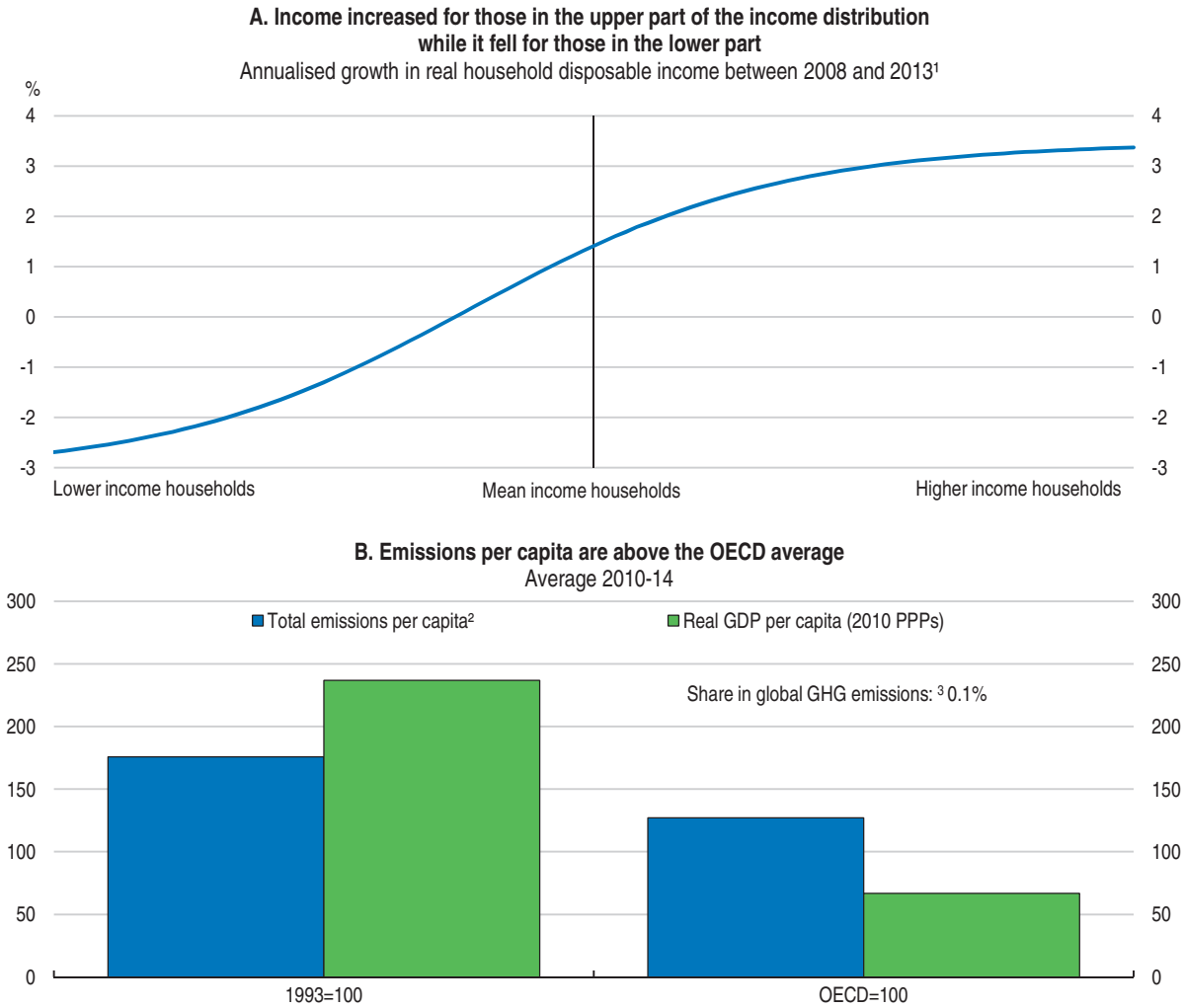
****Improve economic and social infrastructure.****[1] Infrastructure bottlenecks as well as shortage of social infrastructure such as childcare services are constraining labour mobility and well-being.

Recommendations: Expand access to EU energy and railway networks. Provide sufficient funding to rural infrastructure projects. Improve inter-modal transport connections. Increase access to childcare services for children below 1.5 years old and in some municipalities for those below 3 years old.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

ESTONIA

Beyond GDP per capita: Other policy objectives



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StatLink http://dx.doi.org/10.1787/888933455944

EUROPEAN UNION

- Since the onset of the global financial crisis, GDP per capita relative to the most advanced OECD countries has declined to its lowest level in two decades. This has mainly been due to higher structural unemployment. Though sluggish, labour productivity has recently evolved broadly in line with that of the OECD best performers, leaving the gap relative to them essentially unchanged.
- As for income distribution, the European Union remains less unequal than the OECD average, but by a smaller margin as inequality increased over the period 2008-2014.
- Progress towards completion of the Single Market has been generally modest. New initiatives have been launched in horizontal policies needed to unleash innovation and ease its diffusion, such as better regulation and capital markets integration, including some steps to improve insolvency regimes. Regulatory heterogeneity remains nonetheless considerable. In key sectoral areas, such as services and network industries, incremental progress in some domains has not been enough to deliver a significant increase in cross-country competition. Barriers in services, such as those concerning the recognition of qualifications, also hamper labour mobility. No action has been taken to reduce producer support to agriculture and make the EU budget more growth-friendly, though progress in these areas is admittedly difficult once a multiannual financial framework has been set.
- Deepening the Single Market is essential to medium-term improvements to productivity and output growth. To this end, competition-enhancing product market reforms, especially in services and network industries, remain a priority, also because these reforms are in general well-suited to a context of still weak economic recovery. Reducing producer support to agriculture would make the EU budget more growth-friendly. Decreasing regulatory burdens and regulatory heterogeneity would foster market integration and help spur innovation and its diffusion, hence making productivity grow faster. Enhanced labour mobility within the EU would support both cyclical stabilisation and medium-term growth. By reducing unemployment, it would also contribute to lower inequality.
- More integrated energy markets can help pursue decarbonisation in a more efficient way. Reformed agricultural support could help meet environmental objectives. While cross-cutting in nature, support to innovation will also benefit green growth.

Going for Growth 2017 priorities

Enhance support for innovation. Innovation and its widespread diffusion are essential for stronger productivity growth.

Actions taken: The European Commission presented and started to implement in 2015 new proposals to decrease administrative burdens through better law-making (Better Regulation package). Also in 2015, a revised Regulation set an improved framework to deal with cross-border insolvency.

Recommendations: Continue to implement the EU Horizon 2020 programme for research and innovation. Take steps to harmonise insolvency procedures across the EU and make them converge towards best practice (e.g. regimes that avoid long delays and do not over-penalise failure). Improve the quality of impact assessment of draft legislation, especially as regards amendments to Commission's proposals.

Increase competition in the services sector. Restrictive regulations hinder cross-border competition and thus investment and productivity growth.

Actions taken: The European Professional Card, an electronic procedure for the recognition of qualifications, was introduced in 2016 for five professions.

EUROPEAN UNION

Growth performance and inequality indicators

A. Growth

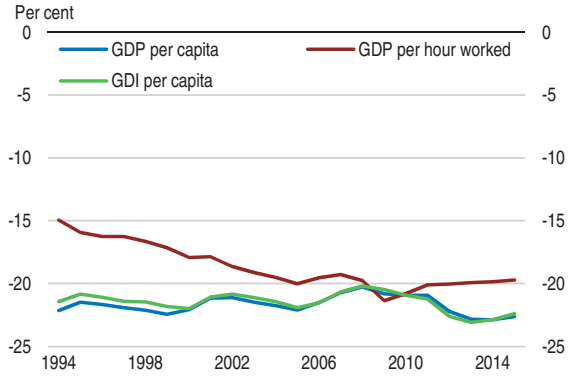
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		0.8	0.9
Labour utilisation		0.3	0.1
of which:	Labour force participation rate	0.4	0.2
	Employment rate[1]	-0.1	-0.1
	Employment coefficient[2]	-0.1	0.0
Labour productivity		0.5	1.0
of which:	Capital deepening	0.7	0.2
	Total factor productivity	-0.1	0.9
Dependency ratio		0.0	-0.2

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-14
Gini coefficient[3]	30 (31.7)*	0.1 (0)*
Share of national disposable income held by the poorest 20%	8.1 (7.7)*	0 (0)*

** OECD average*

C. Gaps in GDP per capita and productivity persist
Gap to the upper half of OECD countries[4]



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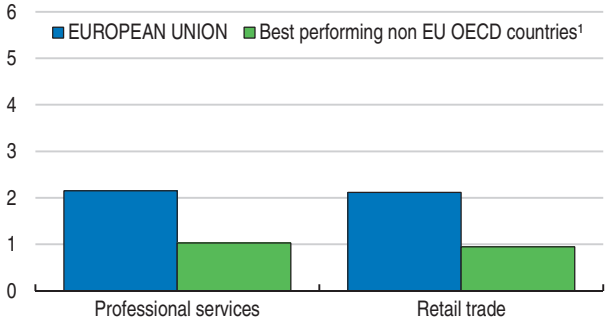
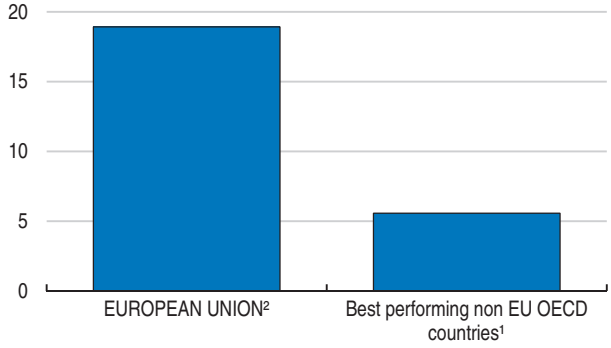
StatLink http://dx.doi.org/10.1787/888933455038

Policy indicators

A. Regulatory barriers to competition in professional services and retail trade are relatively high
Index scale of 0-6 from least to most restrictive, 2013



B. Producer support to agriculture is relatively high
Percentage of farm receipts, 2015



1. The six non-EU OECD countries with the lowest barriers to entry in professional services and retail trade in Panel A and with the lowest producer support to agriculture in Panel B.
2. For this measure, EU refers to all 28 members of the European Union.

Source: Panel A: OECD, *Product Market Regulation Database*; Panel B: OECD, *Producer and Consumer Support Estimates Database*.

StatLink http://dx.doi.org/10.1787/888933455490

EUROPEAN UNION

Recommendations: Improve the implementation of the Services Directive by eliminating unjustified and disproportionate national restrictions to cross-border service provision and firms' establishment. Use the electronic services passport and harmonised forms to curb multiple information requests and other administrative burdens. Move towards mutual recognition of sector-specific requirements.

Reduce producer support to agriculture. Price support distorts markets for some agricultural products and reduces EU budget resources to support investment and growth.

Actions taken: No action taken.

Recommendations: Reduce agricultural subsidies and move further away from unconditional income support and market measures. Create a stronger link with environmental and productivity objectives. Reduce bio-fuel subsidies. Reduce barriers to market access for non-EU countries.

Increase competition in network industries. Network sectors remain fragmented along national lines, hampering competition, investment and productivity growth.

Actions taken: A calendar to end roaming charges was set in 2015. An agreement on the technical pillar of the Fourth Railway Package, reached in 2015, will enable progress in harmonising technical specifications. In electricity and gas, regional initiatives have improved market integration.

Recommendations: To improve interconnections, prioritise the Trans-European transport and energy network projects. Harmonise national technical specifications, with the target of transferring decision powers in technical matters to a single EU regulator. Open up domestic road freight transportation to foreign operators and complete the Single European railway area. Co-ordinate spectrum auctioning at the EU level.

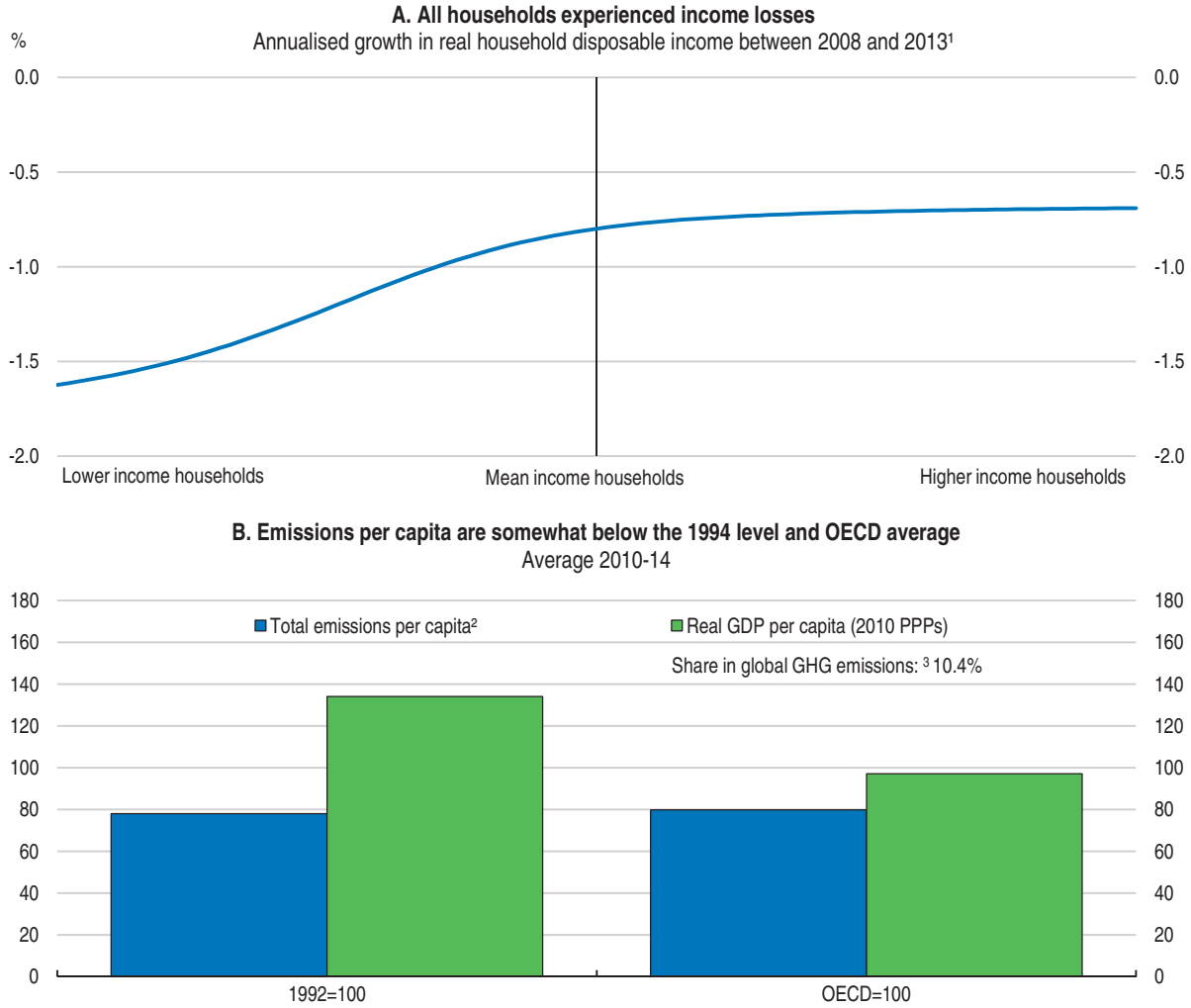
Remove barriers to labour mobility within the European Union. Labour mobility within the EU remains low, hampering the absorption of asymmetric shocks and efficient resource allocation.

Actions taken: Rules for the European employment services network (EURES) have been improved in 2016 by extending coverage to all job offers available with public employment services and other partner organisations.

Recommendations: Improve the portability of supplementary pension rights and of other social benefits. Develop common rules for an EU-wide treatment of double taxation issues related to pensions, incomes of cross-border commuters and posted workers. Provide publicly-funded language training tailored to mobile workers. Simplify the eligibility requirements and procedures of the Blue Card scheme to improve mobility of high-skilled non-EU citizens. Further open public sector employment to all EU citizens.

EUROPEAN UNION

Beyond GDP per capita: Other policy objectives



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StatLink http://dx.doi.org/10.1787/888933455959

FINLAND

- Finland's GDP per capita has been losing ground related to the OECD's best performers since 2008, as a result of weak labour productivity and declining employment. The gap in GDP per capita has almost doubled since 2008 to close to 20 percentage points in 2015, even though the gap in GDP per hour worked is somewhat narrower. Labour force participation has been driven down by population ageing and dismal job prospects, as the economy struggled with falls in demand for electronic and forestry products, a collapse in demand from the Russian Federation and eroding competitiveness.
- Income inequality has receded slightly from a peak in 2007, when strong capital earnings were boosting top incomes. During the prolonged downturn, the share of capital income has declined, while the social safety net has supported low-income earners, keeping unchanged their share in national income.
- The employment rate of older workers, which was the target of some of the recommendations in *Going for Growth 2015*, is rising. Furthermore, the retirement age will increase to 65 by 2025, and will thereafter be linked to life expectancy. Early retirement paths have been progressively narrowed. Improving incentives to work at older ages is thus no longer considered a *Going for Growth* priority. The government has an ambitious reform agenda, which includes reforming the tax structure, the labour market, education, health care and social services, as well as promoting entrepreneurship.
- Inclusive growth can be fostered by measures to increase competition, which would spur innovation and raise productivity, along with a more efficient use of a highly skilled workforce, especially in the context of a rapidly ageing population. A more efficient tax structure to increase work and entrepreneurship incentives, coupled with enhanced active labour market policies, would lift the employment rate, thereby contributing both to raising output and lowering income inequality. Reducing the combined duration of parental leave and the home-care allowance would encourage the labour market participation of women, with a positive impact on output and gender equality, as long leaves tend to affect women's career prospects. Continuing to provide high quality public services at a reasonable cost in the face of rising demand associated with population ageing will require efficiency gains through reorganising services and encouraging more competition in areas where it is viable.

Going for Growth 2017 priorities

Reduce barriers to female labour force participation.[*1] Higher employment among women of child-bearing age would raise output growth and gender equality.

Recommendations: The combined duration of parental leave and the home care allowance should be reduced, as it lowers labour force participation among women in child-bearing age and tends to affect career prospects for women, thereby widening the gender pay gap.

Enhance competition in retail trade, transport and construction. Streamlining regulations in retail trade, transport and construction would encourage innovation and lift productivity.

Actions taken: Shops' opening hours were further liberalised in December 2015. The government plans to amend land-use planning regulations and promote competition in the construction industry. It is also considering opening up rail passenger transport to competition.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

FINLAND

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		0.9	0.0
Labour utilisation		0.6	-0.4
of which:	Labour force participation rate	0.1	-0.3
	Employment rate[1]	0.1	-0.2
	Employment coefficient[2]	0.3	0.1
Labour productivity		0.3	0.5
of which:	Capital deepening	0.4	0.2
	Total factor productivity	0.0	0.3
Dependency ratio		0.0	-0.1

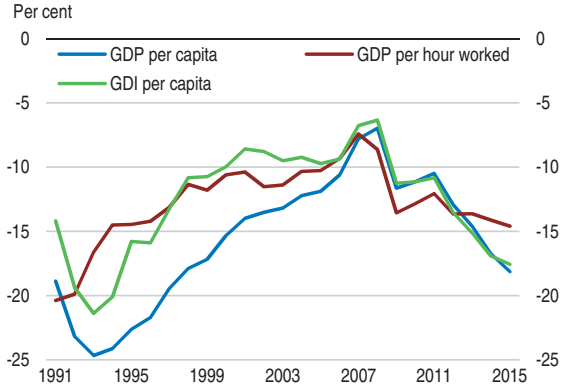
B. Inequality

	Level	Annual variation (percentage points)
	2014	2008-14
Gini coefficient[3]	25.7 (31.7)*	-0.1 (0)*
Share of national disposable income held by the poorest 20%	9.5 (7.7)*	0 (0)*

** OECD average*

C. Gaps in GDP per capita and productivity have widened

Gap to the upper half of OECD countries[4]



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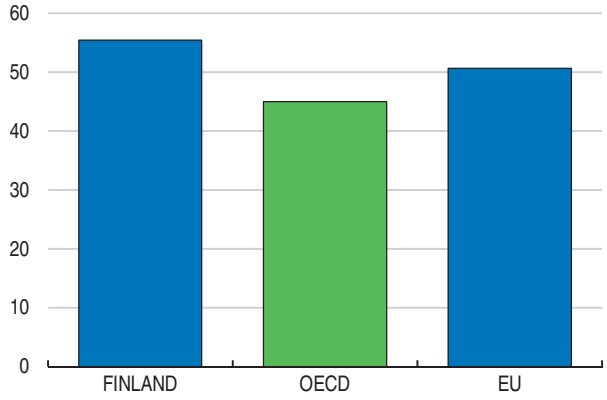
StatLink http://dx.doi.org/10.1787/888933455040

Policy indicators

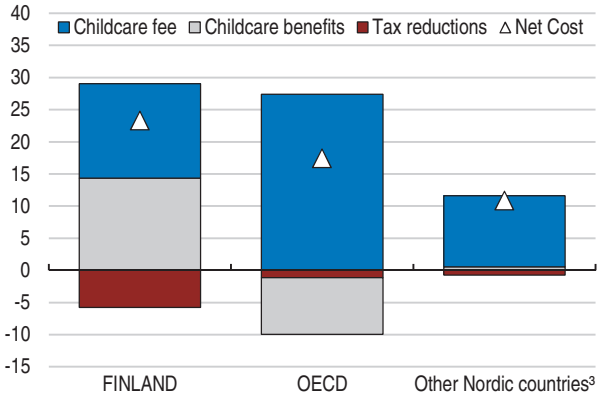
A. The marginal labour tax wedge is high

Percentage of total labour compensation,[1] 2015



B. The cost of childcare[2] is high

Percentage of average wage, 2012



1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. Marginal labour tax wedge for a single person at 100% of average earnings without child.
2. Couples where the first earner earns 100% of the average wage and the second earner earns 67% of the average wage. Childcare benefits refer to childcare and other benefits.
3. Average of Denmark, Norway and Sweden.

Source: Panel A: OECD, *Taxing wages Database*; Panel B: OECD, *Tax-Benefits Models*.

StatLink http://dx.doi.org/10.1787/888933455504

FINLAND

Recommendations: Loosen zoning and planning restrictions on retail development to encourage competition and increase store-level scale economies. Streamline regulations in the construction and building materials industries.

Increase productivity in municipalities. Public services need to be produced more efficiently, to ensure adequate provision in the face of stretched public finances and rising demand as population ages.

Actions taken: A social welfare and health care reform will create autonomous regions responsible for organising healthcare and social services from 2019. The most demanding health care will be organised around larger university hospital areas.

Recommendations: Ensure that the reform achieves economies of scale and a better balance between primary and specialised care, while reinforcing equality in access to health care and social services. Encourage more competition where the population base and the nature of services make it viable.

Strengthen activation and reform unemployment benefits. Reducing income replacement rates in steps over the unemployment spell, combined with effective activation measures, would facilitate return to work.

Actions taken: Work-search requirements have been tightened further in 2015. The maximum duration of unemployment benefits will be reduced from 500 to 400 days for most claimants.

Recommendations: Systematically enforce mandatory job-search and reporting requirements starting early in the unemployment spell. Reduce unemployment benefits in steps over the unemployment spell so as to strike a better balance between income protection and incentives for job-search. Strengthen active labour market programmes to retrain displaced workers and upgrade their skills.

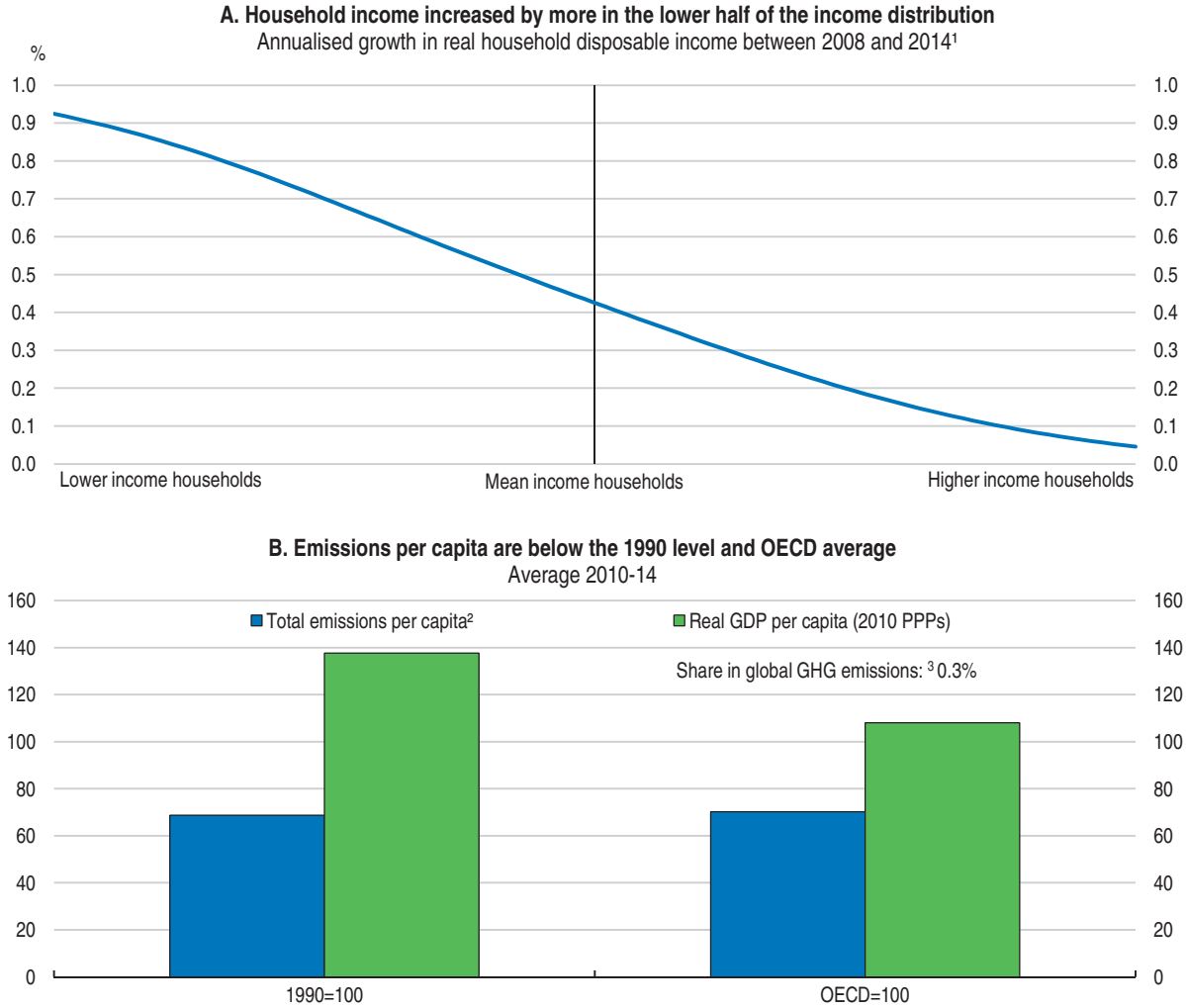
Improve the efficiency of the tax structure. Reducing marginal tax wedges on labour income would favour employment growth.

Actions taken: Tax and social contribution cuts related to the Competitiveness Pact signed by the social partners in 2016 will reduce the tax wedge from 2017 onwards.

Recommendations: Reduce taxes on labour to improve work incentives, and raise recurrent taxes on personal immovable property and indirect taxes. Reduce the number of products subject to reduced VAT rates.

FINLAND

Beyond GDP per capita: Other policy objectives



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StatLink http://dx.doi.org/10.1787/888933455962

FRANCE

- The widened gap in GDP per capita related to most advanced OECD countries has proven persistent. Potential GDP per capita growth has fallen since the recession, owing to a lower employment rate and weak labour productivity growth.
- Inequality as measured by the Gini index has increased since 2008 but remains below the OECD average. The share of income going to the poorest remained stable and is above average.
- The government streamlined in-work benefits and has been reducing social security contributions. It deregulated some energy tariffs, opened passenger coach services to competition, extended Sunday trading opportunities and facilitated entry into some legal professions, while reforming their tariffs. An education reform strengthens individualised support and work in smaller groups.
- Reducing excess coverage in wage agreements, while improving union representation, would promote employment and equity. Quickly implementing the foreseen quality assurance system for training, more individualised support and apprenticeships in secondary schools would help low-skilled workers enhance their productivity. Building on recent competition reforms would bolster productivity and innovation.
- The higher CO_2 component of excise taxes helps finance labour tax cuts, while improving the environment.

Going for Growth 2017 priorities

Reduce excess coverage in wage agreements and streamline workers' representation.[*1] Reducing the use of administrative extensions and better alignment of union finances with membership fees would increase employment, while strengthening union representation and equity. Streamlining workers' representation for larger firms would reduce impediments to firm growth.

Recommendations: Reduce the administrative extension of collective agreements, align union finances better with membership fees, and continue streamlining workers' representation, in particular for larger firms.

Reform job protection and strengthen active labour market policies. More legal certainty for dismissals would reduce labour market duality and improve productivity. Bringing penalties more in line with job-search effort would make active labour market policies more effective.

Actions taken: A reform of labour courts setting deadlines for dismissal procedures was introduced in 2015, and the 2016 labour law reform clarifies conditions for economic dismissals. In 2015 the government stepped up individualised support and wage subsidies for young, low-qualified workers further and announced a doubling of training offers to the unemployed in 2016.

Recommendations: Continue to improve legal certainty for dismissals, evaluate wage subsidies and enhanced counselling for the young and bring penalties more into line with job-search efforts.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

FRANCE

Growth performance and inequality indicators

A. Growth

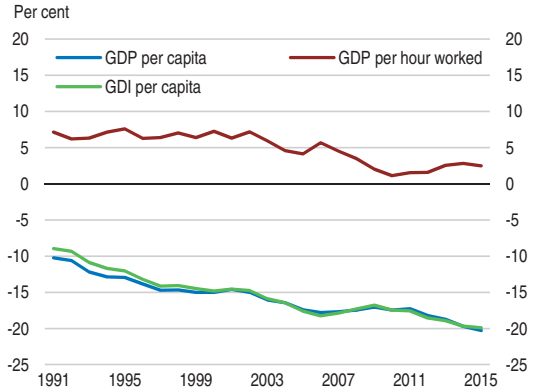
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		0.4	0.6
Labour utilisation		-0.1	0.1
of which:	Labour force participation rate	0.3	0.0
	Employment rate[1]	-0.1	-0.2
	Employment coefficient[2]	-0.2	0.3
Labour productivity		0.6	0.7
of which:	Capital deepening	0.5	0.1
	Total factor productivity	0.1	0.6
Dependency ratio		-0.1	-0.1

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	29.4 (31.7)*	0.2 (0)*
Share of national disposable income held by the poorest 20%	8.7 (7.7)*	0 (0)*

** OECD average*

C. The gap in GDP per capita remains sizeable
Gap to the upper half of OECD countries[4]



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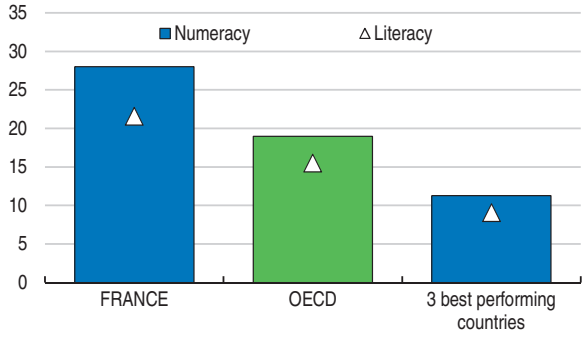
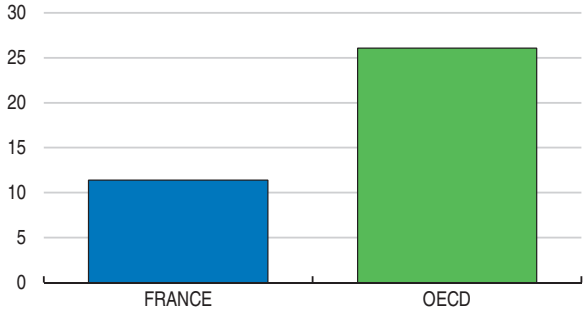
StatLink http://dx.doi.org/10.1787/888933455058

Policy indicators

A. A large share of the French population has weak numeracy and literacy skills
Percentage of adults scoring at proficiency level 1,[1] 2012



B. Trade union density rate is low[2]
2013



1. PIAAC levels of proficiency in numeracy and literacy are defined by particular score-point ranges and the level of difficulty of the tasks within these ranges. Includes adults scoring at PIAAC's "below level 1" proficiency level. Adults scoring at proficiency level 1 or below are only able to perform basic arithmetic operations with whole numbers, whereas adults attaining the highest scores have proven to master analysis and more complex reasoning about quantities and data (level 4) or the ability to draw inferences and work with mathematical arguments and models (level 5).
2. Ratio of wage and salary earners that are trade union members, divided by the total number of wage and salary earners.

Source: Panel A: OECD (2013), *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*; Panel B: OECD estimates and J. Visser, ICTWSS Database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts in 51 countries between 1960 and 2014; Version 5.1; Amsterdam Institute for Advanced Labour Studies AIAS, September 2016.

StatLink http://dx.doi.org/10.1787/888933455512

FRANCE

Improve the equity and quality of education. Individualised support for weak students and access to training for low-skilled adults would strengthen their productivity and employment prospects, enhancing equity.

Actions taken: Following a 2014 reform a personal account with training rights is being implemented along with guidance and quality-assurance systems. A lower-secondary school reform implemented in 2015 provides more resources for schools with many weak students for individual support and work in small groups.

Recommendations: Implement the guidance and quality-assurance systems for training quickly, and ensure access to a wide range of training offers through the personal account. Introduce more apprenticeships in upper-secondary schools and provide teachers with professional training and pedagogical support to effectively implement individualised support for weak students.

Reduce regulatory barriers to competition. Easing firm entry in services and Sunday trading would boost competition, productivity and jobs.

Actions taken: In 2015 the government liberalised energy tariffs for large commercial customers, extended conditions for Sunday trading in some areas, opened passenger coach services to competition and eased entry into some legal profession along with a tariff reform.

Recommendations: Reduce entry barriers, quotas and exclusive rights in other regulated professions, and create the same conditions for Sunday trading everywhere.

Reduce labour taxation. Lower labour taxes across the board will translate into employment gains without creating low-wage traps.

Actions taken: In 2015 and 2016 the government streamlined in-work benefits, introduced temporary hiring subsidies and reduced the labour tax wedge on lower wages, by lowering various social contributions and introducing a business tax credit. This was financed by lower spending growth. CO_2 taxes were gradually increased in 2016.

Recommendations: Labour cost reductions should be streamlined, by translating them into contribution cuts across the board, financed by spending cuts and an increase of taxes on other bases.

FRANCE

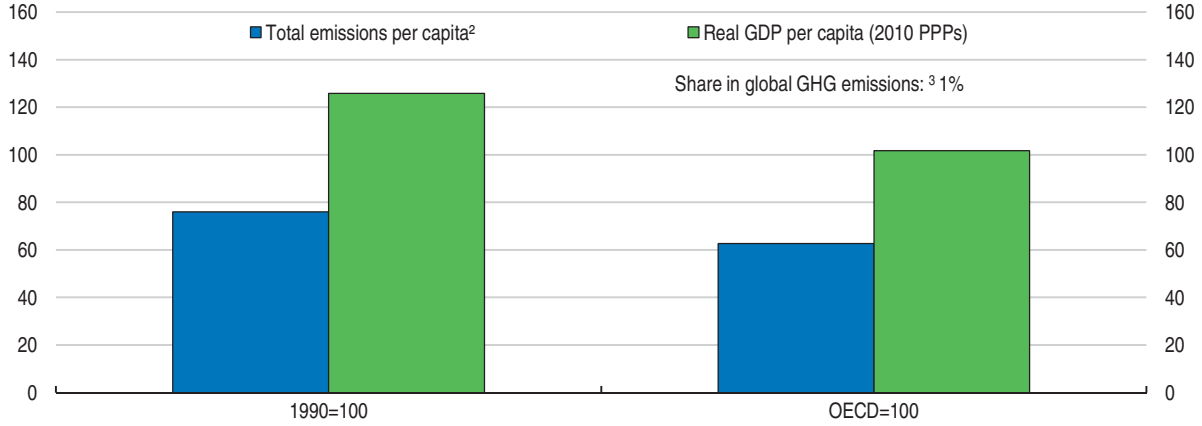
Beyond GDP per capita: Other policy objectives

A. Income fell for all households

Annualised growth in real household disposable income between 2008 and 2013[1]

B. Emissions per capita have fallen and are below the OECD average

Average 2010-14



1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2008 and 2013. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
2. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933455976

GERMANY

- GDP per capita has remained close to the average of leading OECD countries in recent years. High labour market participation and low unemployment have reduced scope for employment gains. However hours worked remain low, reflecting the low incidence of full-time female employment. Immigration has been strong and the large number of refugees arrived recently need to be integrated in the labour market. Labour productivity growth has somewhat improved recently despite weak investment.
- Income inequality increased slightly in recent years but remains, along with poverty, lower than the OECD average.
- Some steps have been taken to reduce school drop-out and limit early tracking, but education outcomes remain closely linked to socio-economic background and education spending on disadvantaged students remains relatively low. Availability of formal childcare places has improved, reducing barriers to female labour force participation. Little has been achieved to reduce regulatory barriers to competition in services and to lower labour taxation. Little progress has been made on reducing gaps in employment protection between permanent and temporary contracts. However, labour market performance is strong and the integration of youth in the labour market remains successful, so the need to remove regulatory barriers to resource reallocation is viewed as a more pressing priority in view of low productivity growth.
- Removing obstacles for women to work full-time would improve their access to better jobs and careers, with substantial gains in terms of higher GDP and well-being as well as lower poverty risks. Enhancing equity in education would boost earnings prospects at the lower end of the income distribution. Reducing barriers to competition in services and to the reallocation of resources would raise productivity. Shifting the tax system from labour towards less distorting taxes would boost employment and raise the income of low-wage workers.
- Raising the share of environmental taxes in total tax revenues would increase incentives to reduce pollution. Removing barriers to the reallocation of resources would facilitate structural changes in the economy, including those that will result from meeting long-term greenhouse gas emission reduction targets. It will boost investment in new technologies, including those needed to achieve greener growth.

Going for Growth 2017 priorities

Remove obstacles to full-time female labour participation. The labour force participation of women is high, but their average working hours are low, especially among mothers and married women.

Actions taken: The cash-for-care subsidy, which discouraged female labour participation, was removed in 2015. The number of childcare places has increased and the government has committed more resources until 2018. Programmes to improve staff educational qualifications, support children's language development, extend childcare hours for single parents and parents with unconventional work schedules were launched in 2015 and 2016, with an expected duration of several years.

Recommendations: Continue expanding the supply of full-day childcare. Raise the staff-to-children ratio in accredited childcare facilities, further improve professionals' qualifications and better integrate education. In the taxation of 2-earner couples, lower the tax burden on the second earner, for example by introducing a separate tax-free allowance for the second earner.

Enhance equity in education. The link between socio-economic background and education outcomes is relatively strong. Many recently-arrived refugees have no formal skills. Earnings prospects of vocational education graduates at high age are relatively low and their long-term unemployment risks rise with age.

Actions taken: A few more *Länder* have reduced the number of different tracks, but pupils are still generally schooled in different tracks from the age of 12 or earlier. A mentoring programme to facilitate school to work transitions and reduce drop-out from school started in 2015. An initiative

GERMANY

Growth performance and inequality indicators

A. Growth

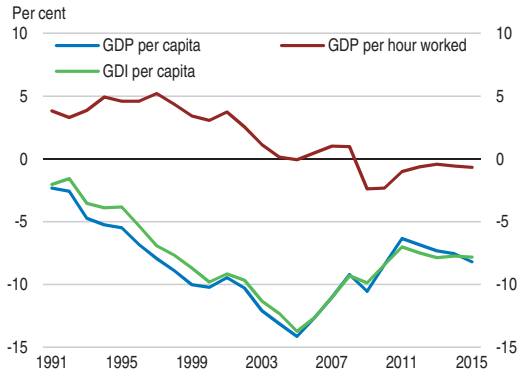
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		0.9	1.7
Labour utilisation		0.7	1.0
of which:	Labour force participation rate	0.5	0.7
	Employment rate[1]	0.4	0.5
	Employment coefficient[2]	-0.2	-0.3
Labour productivity		-0.1	1.1
of which:	Capital deepening	0.1	-0.8
	Total factor productivity	-0.2	1.9
Dependency ratio		0.2	-0.3

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	29.2 (31.7)*	0.1 (0)*
Share of national disposable income held by the poorest 20%	8.6 (7.7)*	0 (0)*

** OECD average*

C. The gap in GDP per capita has widened somewhat
Gap to the upper half of OECD countries[4]



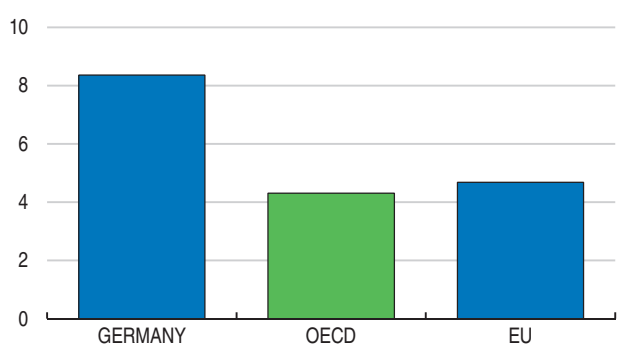
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

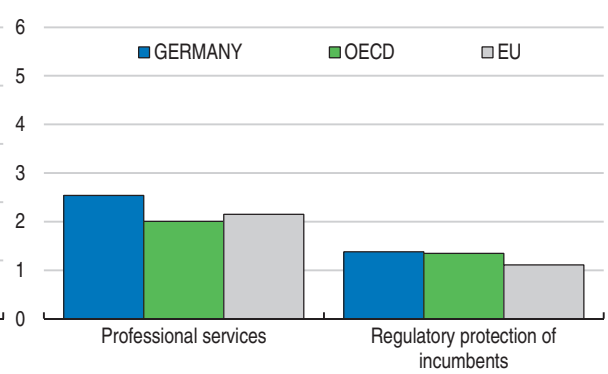
StatLink http://dx.doi.org/10.1787/888933455062

Policy indicators

A. Taxation of second earners is high
Percentage points difference in the average tax wedge between two- and one-earner families,[1] 2015



B. Regulatory barriers are high
Index scale of 0-6 from least to most restrictive, 2013



1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. The main earner earns the average earnings and the secondary earner earns 67% of the average earnings of a full-time worker in a family of a married couple with two children.

Source: Panel A: OECD, *Taxing wages Database*; Panel B: OECD, *Product Market Regulation Database*.

StatLink http://dx.doi.org/10.1787/888933455526

is ongoing to integrate pupils with special needs into mainstream schools. Since 2015 the government has committed additional funding to promote investment in municipalities facing financial difficulties, which will also serve to improve school infrastructure. The means-tested

income support for students in higher education was raised by 7% in 2016. The government has taken stock of refugees' skills, expanded training opportunities and facilitated access to the education system. It has improved refugees' incentives to engage in training, for example by lowering legal barriers for access to the labour market.

Recommendations: Continue reducing early tracking and the assignment of pupils to special needs schools. Provide more full-day primary education and resources to schools with a high share of pupils with weak socio-economic background. Reduce grade repetition. Integrate refugee children in mainstream schooling while providing language support. Strengthen life-long learning and improve general skills of graduates of vocational education. Encourage refugees to make use of childcare. Improve training for new immigrants and the recognition of their skills. Take stock of and evaluate all integration measures. Remove remaining restrictions on access to the labour market for asylum seekers who are likely to stay.

Reduce barriers to competition in services. Regulatory barriers to competition in some services limit productivity growth. Competition has been insufficient to encourage the roll-out of high-speed broadband infrastructure networks, holding back investment in information and communication technology. Government administrations make little use of electronic governance and procurement techniques.

Actions taken: The government plans to abolish regulated prices for tax consultants in some cases. Conditions for competitors' access to the incumbent's rail infrastructure have been improved somewhat. Government spending on infrastructure has expanded since 2015, including on rail infrastructure and the roll-out of high-speed broadband networks. The government plans to implement an e-procurement system.

Recommendations: Liberalise the issuance of SIM cards. Promote electronic procurement procedures by improving skills of officials and expand electronic communication by the government. Target subsidies for broadband roll-out to highest-speed technologies. In railway transport, facilitate access of market entrants to rolling stock and strengthen the regulator. In postal services, create a level playing field with respect to VAT. In professional services, abolish price regulation, for example, for architects and engineers, reduce the range of activities that can only be carried out by specific professions and ease restrictions on business ownership and advertising. Ease qualification requirements for running a business in some crafts.

Reduce tax wedges on labour income and shift taxation towards less distortive taxes. Labour tax wedges remain high, especially for workers on low pay, and taxation is skewed towards labour income.

Actions taken: Social security contributions were lowered by 0.1 percentage points in 2015. Personal income taxes were lowered somewhat in 2016. Child benefits and child tax allowances were raised. However, social security contribution rates are expected to rise by 0.4 percentage points in 2016 and 2017. The *Länder* have agreed to a common model of taxing real estate.

Recommendations: Lower social security contributions, especially for low-pay workers. Phase out tax expenditures for activities that damage the environment, gradually adjust energy tax rates according to carbon intensity and introduce taxation of NO_x emissions. Update real estate tax valuations and apply the taxation of capital gains to residential real estate, except for owner-occupied housing. Eliminate reduced VAT tax rates, such as on hotel services. Raise the tax rates applying to household capital income towards marginal income tax rates applying to other household income.

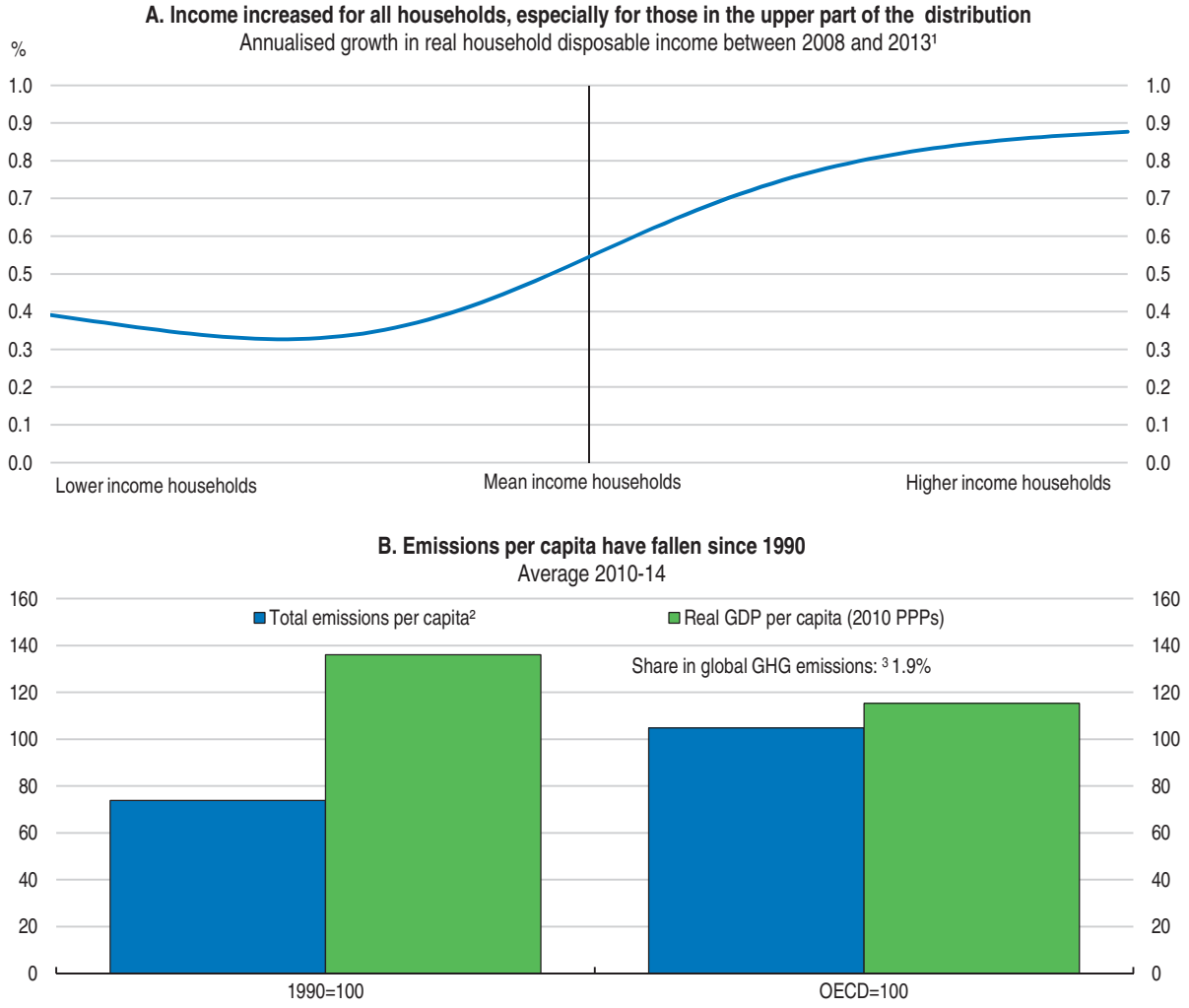
Remove regulatory barriers to business dynamism.[*1] Regulatory biases and government ownership in business sector activities hold back the reallocation of resources and investment in knowledge-based capital.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

GERMANY

Recommendations: Improve governance or privatise government stakes in the *Landesbanken*, as well as in car manufacturing, telecommunications and postal services. Strengthen the analysis of the economy-wide impact of regulation, for example by introducing an independent institution to carry out such analysis, and by raising transparency of lobbyists' involvement in public decision processes. Reduce barriers to the portability of civil servant pensions. Remove exemptions for family businesses in inheritance tax and lower taxation of real estate transactions.

Beyond GDP per capita: Other policy objectives



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StatLink http://dx.doi.org/10.1787/888933455982

GREECE

- GDP per capita stands at around 50% below the best performing OECD countries, following a continuous decline since 2009 due to a drop in both employment and labour productivity.
- Inequality has increased with the Gini coefficient rising by 0.3 percentage point per year between 2008 and 2013. During the same period, inequality in OECD stayed constant on average. The income of the poorest also fell relatively more than for the total population.
- Over the past couple of years, structural reforms implemented have partially addressed previous *Going for Growth* recommendations. Progress has been made in the areas of VAT compliance and the social safety net for instance whereas reforms in the areas of education and the public administration have been modest. A number of reforms in areas beyond the scope of *Going for Growth* priorities have also been implemented.
- Fully implementing policies to reduce poverty and inequality, such as the Guaranteed Minimum Income, would alleviate the severe social cost of the crisis while boosting consumption and growth. Easing further regulations in network industries and strengthening the capacity and independence of regulatory agencies would raise competitiveness. Continuing to streamline regulation would improve the business environment. Pursuing the fight on tax evasion and further broadening the tax base is key to raising revenues in a more inclusive and growth-friendly way. Better exploiting EU structural funds to boost investment in education, research and innovation, and information and communication technology will enhance skills and human capital, and lay the foundation for a stronger economic growth.

Going for Growth 2017 priorities

Continue strengthening the social safety nets. The long crisis has increased poverty, generating high human and social costs; long-term unemployment remains high.

Actions taken: A National Strategy for Social Inclusion was launched in early 2015 to tackle poverty, social exclusion and discrimination. The first phase of the means-tested Guaranteed Minimum Income ended in May 2016. The second phase started in July 2016, with a view to having a national roll-out in 2017. A pilot review of primary discretionary expenditure has been conducted in 2016 and a comprehensive expenditure review covering the General Government is planned for 2017.

Recommendations: Implement policies to reduce poverty and inequality. Fully implement the Guaranteed Minimum Income, as planned, and introduce a school-meal and a housing assistance programme targeted to the poor. Expand the pilot expenditure review to the entire public administration, as planned, and use the resulting savings to enhance job-search and training policies and the social safety net.

Ease regulation in network industries. Regulatory barriers to competition remain relatively high in several network industries (e.g. energy and transport), resulting in inefficiencies and low competitiveness.

Actions taken: Progress has been made in the separation of the electricity transmission system operator (ADMIE) from the Public Power Corporation (PPC), the incumbent. The legislation was amended to facilitate unbundling in the gas market.

Recommendations: Further ease regulations in network industries and strengthen the capacity and independence of regulatory agencies.

Enhance the efficiency of public administration. Inefficiencies of the public administration hold back investment and affect negatively the business environment.

GREECE

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		1.3	-3.9
Labour utilisation		1.3	-2.2
of which:	Labour force participation rate	0.9	0.0
	Employment rate[1]	0.0	-3.0
	Employment coefficient[2]	0.4	0.9
Labour productivity		0.4	-1.3
of which:	Capital deepening	-0.2	1.5
	Total factor productivity	0.5	-2.8
Dependency ratio		-0.4	-0.4

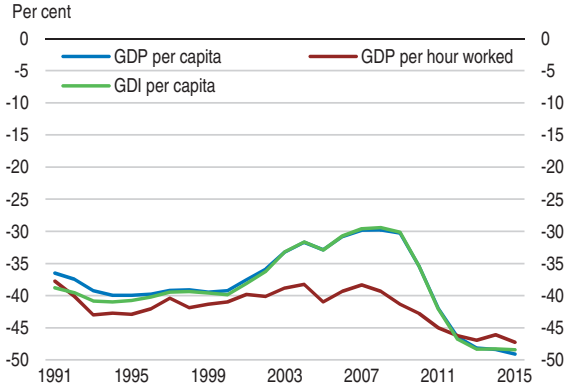
B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	34.3 (31.7)*	0.3 (0)*
Share of national disposable income held by the poorest 20%	6.5 (7.7)*	-0.1 (0)*

** OECD average*

C. Gaps in GDP per capita and productivity have widened

Gap to the upper half of OECD countries[4]



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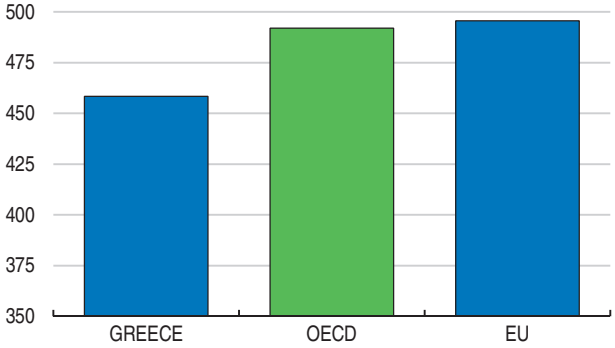
Policy indicators

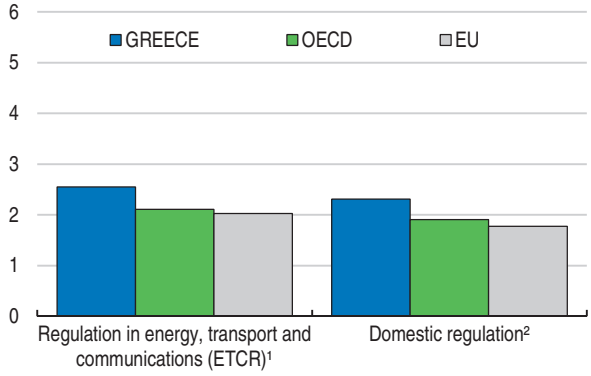
A. Educational outcomes are low

Average of PISA scores in mathematics, science and reading, 2015



B. Regulatory barriers to competition remain above OECD and EU averages

Index scale of 0-6 from least to most restrictive, 2013



1. Seven indicators of regulation in network sectors are aggregated into one indicator of regulation in energy, transport and communications (ETCR) and cover telecoms, electricity, gas, post, rail, air passenger transport and road freight.
2. Average of the product market regulation subcomponents: public ownership, involvement in business operations under "State control" and regulatory protection of incumbents under "barriers to entrepreneurship". For further details see Koske, I., I.Wanner, R. Bitetti and O. Barbiero, "The 2013 update of the OECD product market regulation indicators: policy insights for OECD and non-OECD countries", OECD Economics Department Working Papers.

Source: Panel A: OECD, *PISA Database*; Panel B: OECD, *Product Market Regulation Database*.

StatLink http://dx.doi.org/10.1787/888933455536

GREECE

Actions taken: In November 2016, a new framework law for the simplification of investment licensing and a new law for one-stop agencies for businesses, to simplify the establishment of new businesses, entered into force. The National Trade Facilitation Strategy (NTFS) for Greece foresees the implementation of a 'national single window' for exports that would act as one-stop shop specifically for export procedures. An Action Plan for export promotion was approved by competent Ministries and stakeholders and two agencies were established, one for policy planning and the other for implementation. Other measures taken include: revisions to the unified wage grid in the public sector; revisions to the system for evaluating and promoting civil servants; amendments to the Code of Civil Procedure to accelerate judicial proceedings, streamline enforcement procedures and alter the seniority of claims in case of forced liquidation.

Recommendations: Improve the quality of regulation by making better and more extensive use of regulatory impact analysis. Make the national single window for exports and the one-stop agencies fully operational. Reduce delays and backload of cases in the judiciary by using more e-justice tools, encouraging out-of-court settlements, model cases, and specialised competition courts.

Enhance the efficiency and fairness of the tax system. Tax evasion is pervasive. The gap between actual VAT collections and what could be collected is one of the highest among OECD countries, due to exemptions and reduced rates, as well as tax evasion.

Actions taken: In 2015, the VAT policy gap was reduced by streamlining reduced VAT rates and eliminating lower rates for certain regions. An independent public revenue agency was established in mid-2016 and will become operational in January 2017. The 2016 personal income tax reform introduced a unified income tax scale. Notably, the differential tax regime of farmers was aligned to that of wage earners and the definition of "professional farmer" was tightened. To fight tax evasion, auditing procedures and internal controls have been enhanced and centralised.

Recommendations: Ensure that the new public revenue agency operates fully independently and has the necessary means to perform its tasks effectively. Widen the use of electronic invoices. Broaden further the tax base.

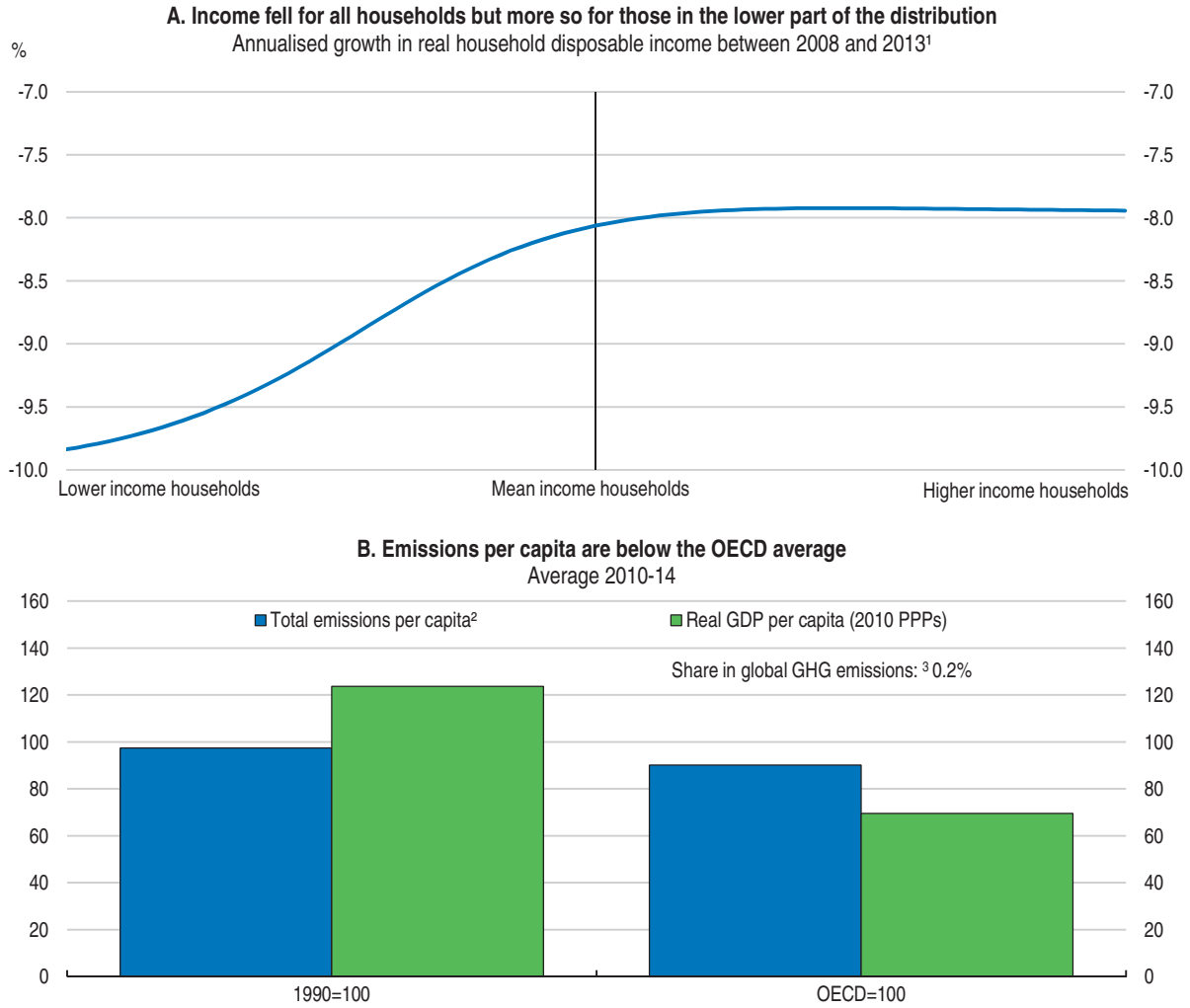
Improve the quality of education system. Educational outcomes measured by the PISA test scores are below the EU and OECD average. Participation in vocational education and training (VET) remains modest.

Actions taken: The curriculum in primary and secondary education has been rationalised. Efforts have been made to support students with learning difficulties by means of remedial classes.

Recommendations: Improve the quality of teachers by linking teaching evaluation to effective professional development. Make schools more autonomous and accountable. Implement a performance evaluation system for universities. Work with stakeholder to strengthen VET and ensure that the curriculum is relevant to employers' needs. Develop a well-functioning skill-forecasting mechanism to update the curriculum of universities and VET.

GREECE

Beyond GDP per capita: Other policy objectives



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StatLink http://dx.doi.org/10.1787/888933455995

HUNGARY

- GDP per capita is today is about half of the average of the most advanced OECD countries, reflecting substantial income convergence prior to the financial crisis. Since then, income growth has been subdued, reflecting weak productivity growth offset by higher labour force participation and employment.
- Inequality has increased, partly due to a deterioration of the households' living standards at the bottom end of the distribution, in contrast with unchanged inequality on average across the OECD countries. Nonetheless, overall inequality remains below the OECD average.
- Over the past couple of years, the government has implemented modest structural reforms that have partially addressed the *Going for Growth 2015* priorities. Simpler administrative burdens include greater use of notification procedures and the simplification of professional qualifications. Earlier school start and greater resource allocation to problem areas have improved outcomes and equity in education. More competitive pressures are induced through an easing of large outlet regulation and more legal certainty. Work incentives have been enhanced through a general reduction of the tax wedge and one specifically targeted to low-skilled workers and families through the Job Protection Act.
- Despite the progress, there is still scope for further reductions of administrative burdens, through further cuts in red tape and better use of regulatory impact assessments. Competition could be strengthened further by removing sector exemptions and subject all potentially competition-reducing mergers to full review by the competition authorities. Outcomes and equity in education could be strengthened further by postponing tracking and merging vocational training and vocational schools. In addition, special attention should be paid to the poor education outcome of Roma people. The tax wedge should be lowered by reducing the reliance on social security contributions by moving tax burdens to less distortive tax sources. At the same time, measures are needed to raise the statutory and the effective retirement ages.

Going for Growth 2017 priorities

Ease administrative procedures for businesses. Complex and frequently changing regulation have deterred business sector investment and productivity growth

Actions taken: In 2015, administrative burdens have been eased by the implementation of a new regulatory framework for electronic services, the transformation of several authorisation procedures into notification procedures, and the abolition or simplification of professional qualifications.

Recommendations: Improve transparency, stability and formulation of regulatory policies. Continue efforts to cut red tape and make better use of regulatory impact assessments. The competition authority should comment systematically on law proposals and mandatory public consultations should be introduced. Improve public procurement procedures through a more effective e-procurement system and establish a dedicated anti-corruption agency.

Reduce work disincentives for the elderly. Low albeit rising statutory and effective retirement ages have led to low employment rates for older workers. The retirement age is scheduled to reach 65 years-old by 2022.

Actions taken: No action taken.

Recommendations: Index the statutory retirement age to gains in life expectancy, and remove the remaining pathway into early retirement for women. Create a tool set, including individual learning accounts, to promote lifelong learning. Scale up the wage subsidy

HUNGARY

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		1.4	2.0
Labour utilisation		-0.8	1.7
of which:	Labour force participation rate	0.1	1.6
	Employment rate[1]	-0.8	0.6
	Employment coefficient[2]	-0.1	-0.6
Labour productivity		2.1	0.3
of which:	Capital deepening	0.9	0.0
	Total factor productivity	1.2	0.3
Dependency ratio		0.1	0.0

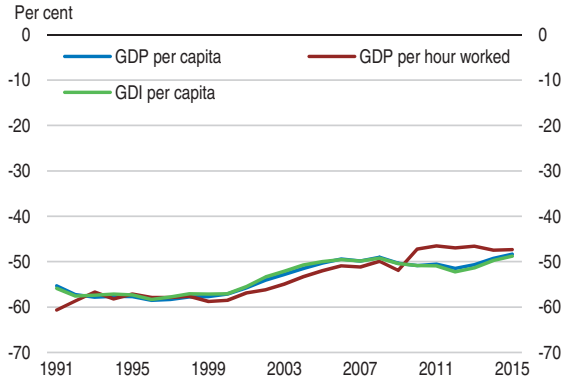
B. Inequality

	Level	Annual variation (percentage points)
	2014	2007-14
Gini coefficient[3]	28.8 (31.7)*	0.2 (0)*
Share of national disposable income held by the poorest 20%	8.3 (7.7)*	-0.1 (0)*

** OECD average*

C. The large gaps in GDP per capita and productivity are not closing

Gap to the upper half of OECD countries[4]



1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

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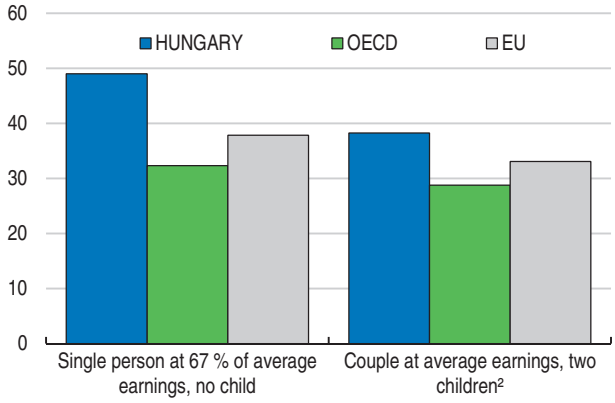
Policy indicators

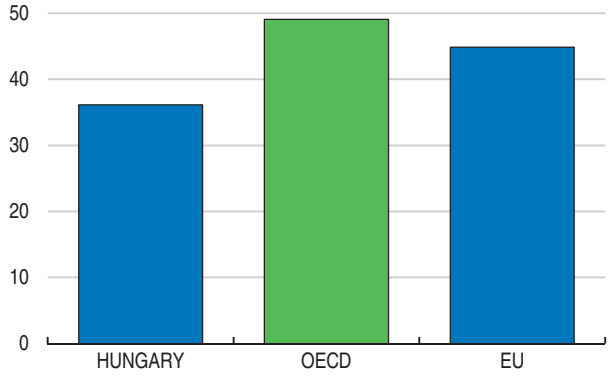
A. The labour tax wedge is high

Percentage of total labour compensation,[1] 2015



B. The graduation rate in tertiary education is low

First-time graduation rates, 2014



1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers.
2. At 100% of average worker earnings for the first earner and average of the three situations regarding the wage of the second earner (0%, 33% and 67% of average earnings).

Source: Panel A: OECD, *Taxing wages Database*; Panel B: OECD, *Education at a Glance 2016: OECD Indicators*.

StatLink http://dx.doi.org/10.1787/888933455541

programme targeted at older unemployed workers and supplement it with job search assistance and monitoring measures.

Improve outcomes and equity in education. Declining PISA scores, low graduation rates in tertiary education, shortcomings in vocational education and training have, together with inequalities in education, hampered job creation and productivity growth.

Actions taken: To improve outcomes and equities in education, a mandatory kindergarten age of 3 years has been introduced in 2015. In addition, special allowances were introduced for teachers working in socio-economic disadvantaged localities. Moreover, the vocational education system was reformed with increased work-based training to reflect labour market needs.

Recommendations: Postpone tracking and extend the period of compulsory grammar school to enhance general skills and promote equity, potentially benefitting Roma people. Develop quality assurance for apprenticeship places and ensure sufficient instruction time relative to productive work. Make ICT training a more horizontal form of knowledge application in all subjects. In tertiary education, extend support to all disadvantaged students and strengthen career counselling and the responsiveness to labour market needs.

Enhance competition in services sectors. Insufficient competition in retail, professional services, and network industries is holding back new products and technologies, leading to a lack of productivity growth.

Actions taken: Competition has been stimulated by the increase in 2015 of surface threshold for regulation of large outlets from 300 to 400m^2, the establishment of a personal insolvency framework, and the introduction of a legal presumption that companies with a turnover from daily consumption products of more than HUF 100 billion has significant market power.

Recommendations: Remove sector exemptions to apply the modern competition policy framework as widely as possible. Systematically review mergers that might reduce competition and only allow competition-limiting mergers on clear public interest grounds. Secure non-discriminatory third-party access in network sectors. In telecommunication, reward a new spectrum with full band width to a new entrant and facilitate entry of MVNOs (resellers of mobile network capacities). Lower barriers to entry in retail by moving the approval decision for opening new outlets to municipalities and clarify the rules for derogations, increase the ceiling for outlets and secure clear guidelines. Introduce market-based energy pricing. Define more narrowly public service obligations that could be subject to public tendering, opening for such providers to be compensated for the associated costs.

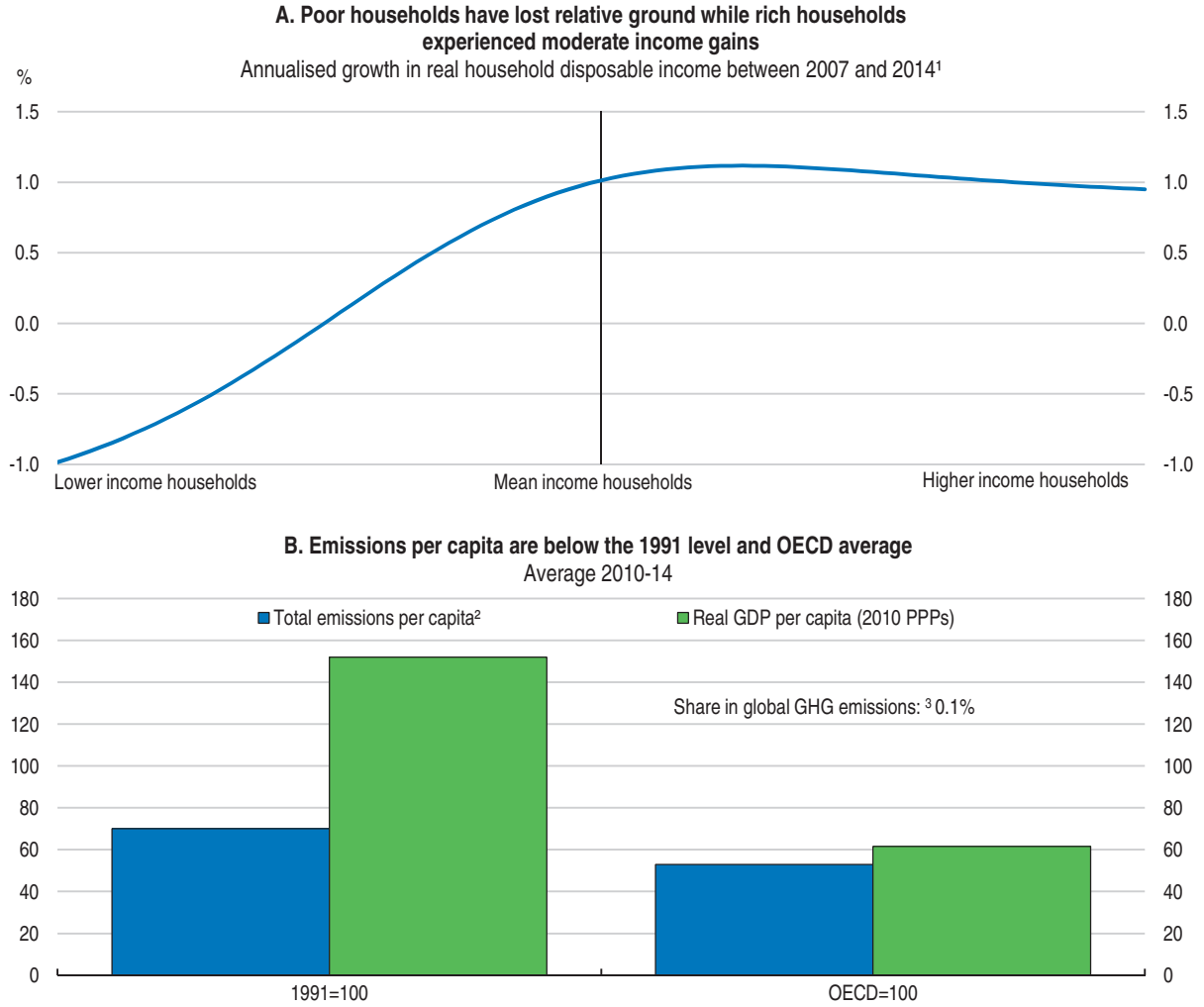
Reduce the tax wedge on labour income. The average tax wedge is internationally high, especially for workers with low wages, leading to reduced work incentives and labour demand.

Actions taken: The tax wedge has been lowered in 2015 through a one percentage point reduction in the flat rate personal income tax. It will be reduced further for selected groups through the doubling by 2019 of the family allowance for families with two children and the new entitlement of part-time workers for receiving the full amount of the Job Protection Act's allowance on social contribution tax and vocational contribution.

HUNGARY

Recommendations: Further reduce the tax wedge on low salaries through better targeting of cuts in social contributions and the introduction of an employment tax credit that progressively declines with the wage level. Increase the reliance on less distortive taxes, such as on energy use and property.

Beyond GDP per capita: Other policy objectives



1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2007 and 2014. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
2. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933456009

ICELAND

- The income gap relative to the most advanced OECD countries, after having widened in the aftermath of the crisis, has stabilised. This pattern is explained by essentially flat labour productivity while labour force participation and employment have recently picked up.
- Income inequality is among the lowest in the OECD and has been declining recently as the share of income of the poorest 20% has been rising.
- Some of the *Going for Growth 2015* priorities has been addressed, such as increasing public sector efficiency, which is no longer a priority reform area. There is scope for further progress in other priorities. Modest changes to agricultural support were introduced between 2013 and 2015. Tax incentives were introduced in 2015 for new investments. A White Paper for education policy was issued.
- Productivity growth would be enhanced by supporting entrepreneurship, reducing barriers to competition stemming from distortive agricultural support and by giving the competition authorities more power. Improving education outcomes would foster human capital accumulation and thus boost productivity. Reforms to the tax and transfer system would help people remain productive. Improving equity and performance in education would, in addition to boosting productivity growth, also help reduce income inequality. Reducing producer support to agriculture would boost productivity and also lower food prices, which would benefit lower-income households.

Going for Growth 2017 priorities

Remove disincentives from the tax and transfer system.[*1] Many young people are not in employment, education or training and disability rolls are rising.

Recommendations: Further reduce the duration of unemployment benefit receipt, which is very long, and increase the period of work needed before a worker becomes eligible to receive unemployment benefits, which is very short. Help people to retain labour force attachment by tightening eligibility for disability benefits and providing support for disabled workers who are able to work and who want to.

Support entrepreneurship. The small size of the capital market can constrain entrepreneurship and dynamic new firms from scaling up.

Recommendations: Support innovation, including by encouraging links with universities. Ease funding access, notably with public investment funds that can finance firm expansion. Evaluate support measures.

Reduce producer support to agriculture. Agricultural support remains high by international standards

Actions taken: Milk production quotas were raised and dairy-specific levies were abolished between 2013 and 2015.

Recommendations: Reduce agricultural support by lowering tariffs and excise duties, abolishing quotas on agricultural products, reducing other forms of producer support and delinking it from production.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

ICELAND

Growth performance and inequality indicators

A. Growth

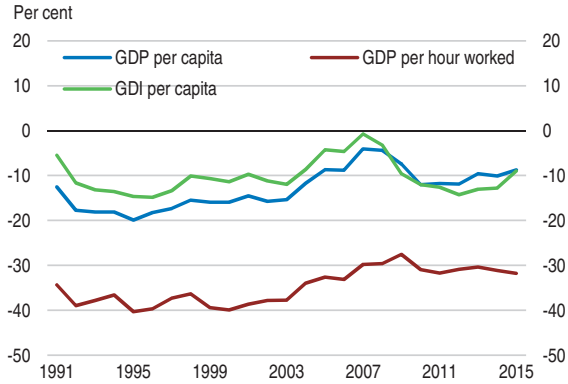
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		2.1	1.1
Labour utilisation		-0.4	0.7
of which:	Labour force participation rate	0.3	0.2
	Employment rate[1]	-0.7	0.6
	Employment coefficient[2]	0.0	0.0
Labour productivity		2.6	0.0
of which:	Capital deepening	0.3	-1.0
	Total factor productivity	2.3	1.0
Dependency ratio		-0.1	0.3

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	24.4 (31.7)*	-1.3 (0)*
Share of national disposable income held by the poorest 20%	10.1 (7.7)*	0.3 (0)*

** OECD average*

C. The gap in GDP per capita has stabilised
Gap to the upper half of OECD countries[4]



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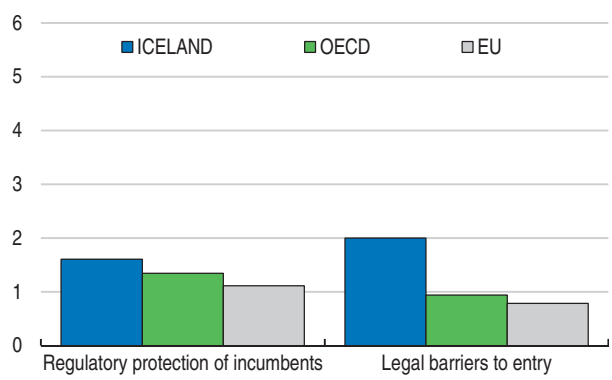
Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

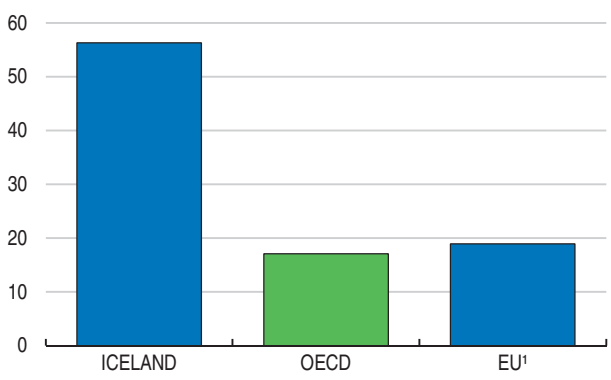
StatLink http://dx.doi.org/10.1787/888933455094

Policy indicators

A. Regulatory barriers to competition are high
Index scale of 0-6 from least to most restrictive, 2013



B. Producer support to agriculture is more than double the OECD average
Percentage of farm receipts, 2015



1. For this measure, EU refers to all 28 members of the European Union.

Source: Panel A: OECD, *Product Market Regulation Database*; Panel B: OECD, *Producer and Consumer Support Estimates Database*.

StatLink http://dx.doi.org/10.1787/888933455550

ICELAND

Improve outcomes and equity in education. Below OECD average achievement in reading and science, high variance across students and low efficiency of the education system reduce productivity.

Actions taken: In 2015, a Directorate of Education was created to promote progress towards meeting government objectives, such as raising literacy rates and increasing the share of students who finish primary and secondary education on time.

Recommendations: Strengthen the capacity of municipalities to manage and oversee primary education collectively or shift these responsibilities back to the central government's education ministry. Strengthen school accountability for education outcomes. Adjust curricula to improve performance in reading and mathematics. Raise teacher quality in rural areas. Increase effective teaching time and student-teacher ratios.

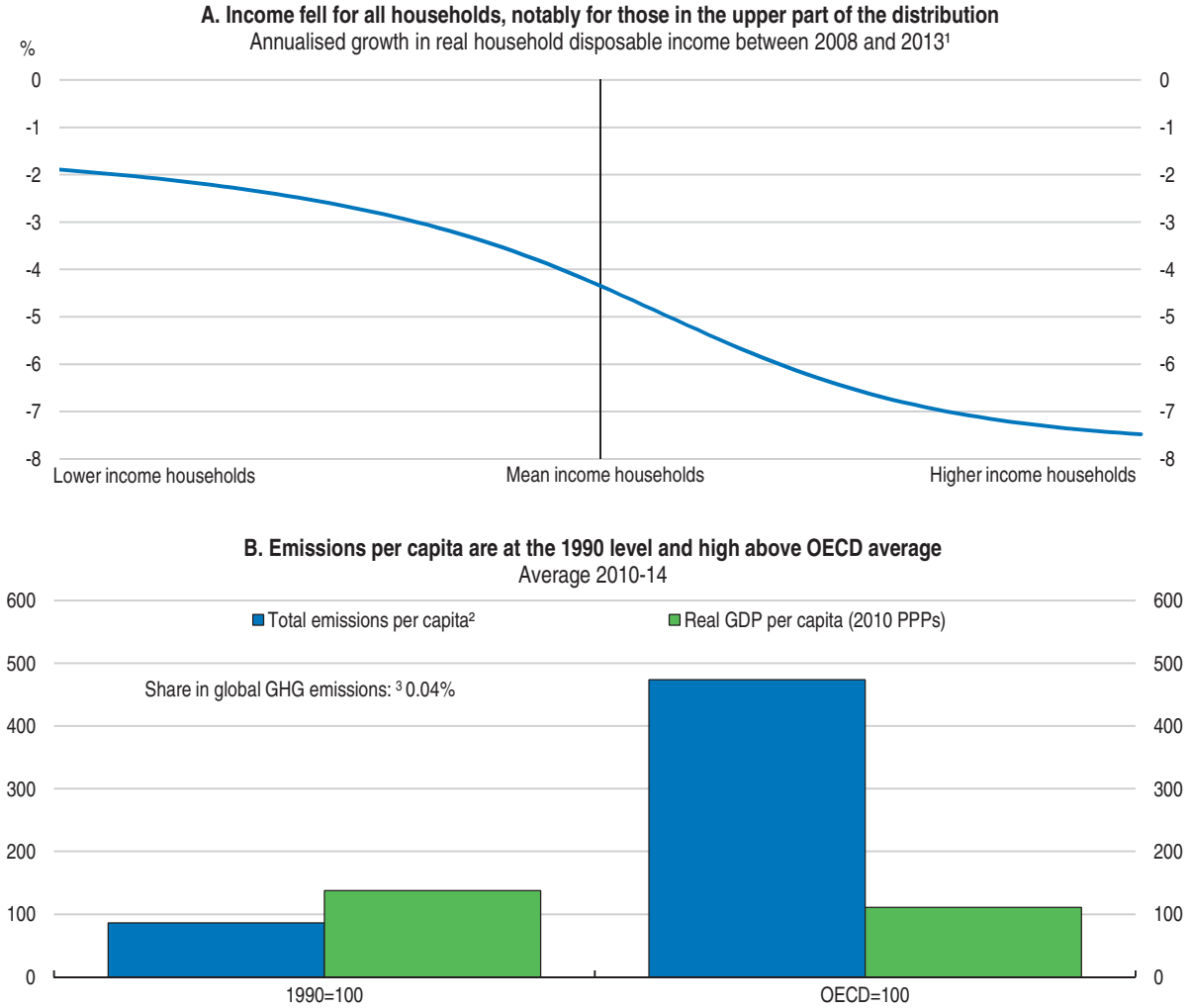
Strengthen the competition regime and authorities. Achieving competition in a small economy can be challenging without sacrificing economic efficiency.

Actions taken: The Competition Authority concluded an investigation into the fossil fuel market in 2016, showing an abuse of competition law.

Recommendations: Toughen competition policy implementation to ensure that abuse of dominant position and cartel/tacit collusion does not stifle competition. Use the OECD's Competition Assessment Toolkit to refine laws and regulations that restrict competition. Reduce regulatory opacity and legal barriers to entry that restrain competition, entrepreneurship and productivity growth.

ICELAND

Beyond GDP per capita: Other policy objectives



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3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933456015

INDIA

- Income per capita is growing faster than in most other countries. Labour productivity has been the key driving force. The decline in labour force participation rates, mostly of women, has resulted in a negative contribution of labour utilisation. Overall, gaps in GDP per capita to most advanced OECD countries remain large.
- Absolute poverty has declined steadily but inequality remains high. Adding to large wealth and income inequality, there is a large rural/urban divide in access to key public services.
- Progress has been made on the ease of doing business both at the central government and state levels. Barriers to FDI have been loosened in several sectors. The new bankruptcy law should help shorten insolvency procedures while improving banks' balance sheet and ability to lend. Subsidies aimed at supporting poor households' living standards are gradually made more efficient and better targeted.
- Creating more and better jobs should be a priority to make growth more inclusive. This would require simplifying and modernising labour laws. Access to secondary education should improve while the quality of primary education and training systems should be raised to equip job seekers with relevant qualifications and better match labour demand.
- Better public transport infrastructure would help contain local air pollution which has become a key health concern in cities.

Going for Growth 2017 priorities

Simplify and modernise labour laws to create more and better jobs for all. Growth has created little jobs. Most existing jobs are not covered by labour laws and social insurance. Women participation into the labour market is low and pay differentials are large.

Actions taken: Efforts have been made to simplify administrative procedures since 2014 (e.g. unified portal for some laws and self-certification). Labour inspections have been made more transparent. The Apprenticeship Act reform will increase flexibility of hiring apprentices. Some states have reformed labour laws, including employment protection legislation, to make them less stringent.

Recommendations: Reduce barriers to formal employment further by introducing a simpler and more flexible labour law which does not discriminate by size of enterprise and by gender. Ease provisions requiring government approval to terminate employment contracts.

Reduce administrative and regulatory burdens on company. Despite recent simplification efforts, regulations are complex. Firms often opt to stay below efficient size to avoid them.

Actions taken: The 2016 Bankruptcy Code will facilitate time-bound closure of ailing businesses. The *Start-up India* initiative, launched in 2015, will support firms' creation by providing financial and technical support, as well as tax relief, and by implementing a self-certification scheme for some labour and environmental laws.

Recommendations: Simplify further administrative and regulatory procedures. In particular, impose maximum timelines to regulatory approval processes and implement single-window clearance experiments more widely.

Enhance access to, and quality of, the education system. Participation in secondary education remains low while the quality of primary and secondary education is often poor.

INDIA

Growth performance and inequality indicators

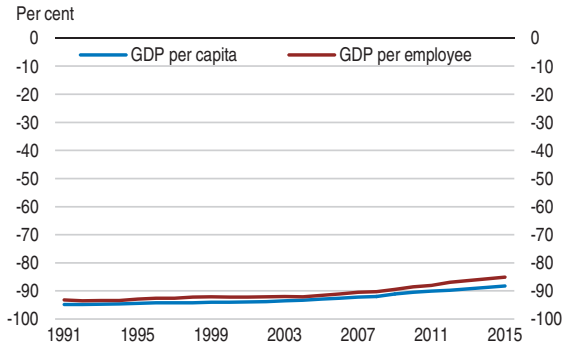
A. Growth

Average annual growth rates (%)	2003-09	2009-15
GDP per capita	6.3	6.0
Labour utilisation[1]	0.6	-1.0
Labour productivity	5.7	7.1

B. Inequality

	Level	Annual variation (percentage points)
	2011	2009-11
Gini coefficient[2] (rural areas)	31.1	0.6
Gini coefficient[2] (urban areas)	39.0	-0.2

C. Gaps in GDP per capita and productivity are being reduced but remain very large
Gap to the upper half of OECD countries[3]



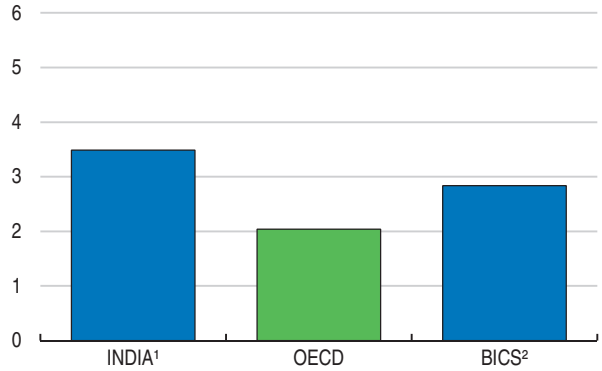
1. Labour utilisation is defined as the ratio of total employment over population.
2. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality. World Bank sources based on household consumption surveys, which tend to under-estimate the extent of inequality on disposable income.
3. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita and GDP per employee (in constant 2010 PPPs).

Source: OECD, *National Accounts Database*; World Bank, *World Development Indicators (WDI) Database* and National Sample Survey (various years), annual population estimates of the Registrar General and OECD estimates.

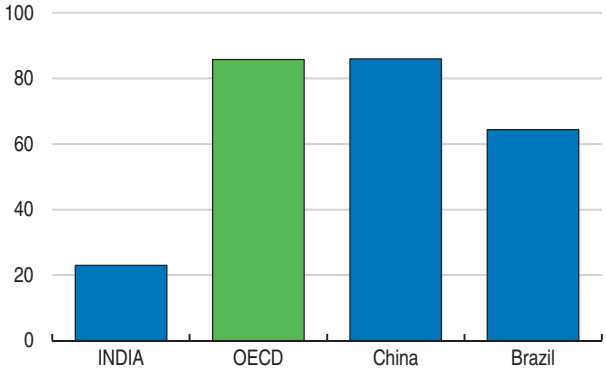
StatLink http://dx.doi.org/10.1787/888933455101

Policy indicators

A. Employment protection legislation for regular workers is stringent
Index scale of 0-6 from least to most restrictive, 2013



B. The level of secondary education is relatively low
2014[3]



1. Data refer to 2012 for India.
2. Average of Brazil, Indonesia, the People's Republic of China and South Africa.
3. For India, data refer to the share of persons aged 19 years-old who have completed upper secondary education. For Brazil, China and OECD, data refer to graduation rate at upper secondary level (first-time graduate).

Source: Panel A: OECD, *Employment Protection Legislation Database*; Panel B: OECD, *Education at a Glance 2016: OECD Indicators*; India National Sample Survey.

StatLink http://dx.doi.org/10.1787/888933455568

INDIA

Actions taken: New tertiary education institutions are being set up, including in the health care sector and a programme was launched to increase resources and improve teacher training to motivate and engage children in science, mathematics and technology. The Skill India campaign launched in 2015 initiative aims at skilling 500 million people by 2022, in particular the youth with an emphasis on employability and entrepreneur skills. It will also provide training and support for traditional professions like welders, carpenters, cobblers, masons, blacksmiths and weavers.

Recommendations: Continue improving access to education, especially at the secondary level, and improve the quality of education. Provide vocational training earlier in the cursus. Expand secondary and higher education for women and skills training for female entrepreneurs.

Undertake wide-ranging financial sector reforms. A sound financial sector is key to support the revival of investment and finance long-term infrastructure projects.

Actions taken: The Reserve Bank of India granted new bank licenses. It performed an Asset Quality Review to recognise asset deterioration and better provision of non-performing loans. Measures to improve financial inclusion have been implemented, in particular the Jan Dhan Yojana programme which aims at providing basic banking accounts with a debit card to every household, so as to provide universal access to banking facilities, boost financial savings and help the government reduce subsidy leakages.

Recommendations: Ease bank portfolio restrictions including by gradually reducing the share of government bonds held by banks and by establishing a plan to phase out priority lending.

Improve infrastructure and ease land acquisition. Poor infrastructure weighs on activity, in particular the manufacturing sector, and reduces households' well-being. The urban/rural divide is pronounced.

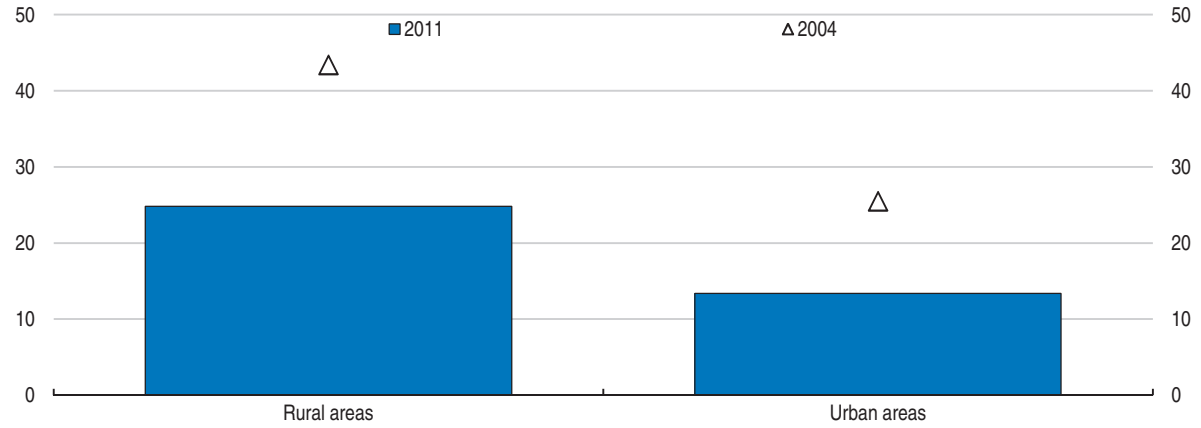
Actions taken: More public funds have been invested in infrastructure, in particular rail and road networks. Restrictions on FDI have been loosened in various sectors (e.g. rail). Ensuring uninterrupted electricity supply for all is an objective for the government. In 2015, the government unveiled a plan (UDAY) to address the financial troubles of power distribution companies by reducing distribution losses through mandatory smart metering, upgrading transformers and meter, and by better allocating coal. The reform of the land acquisition law proposed by the central government is pending at Parliament. Some states have introduced measures to effectively guaranteeing land and property ownership and facilitating land transfer operations.

Recommendations: Time and cost overruns in implementing large infrastructure projects should be reduced further. This will require reforming the land acquisition law and simplifying the regulatory approval process for environmental and other clearances. Clear timelines should be imposed.

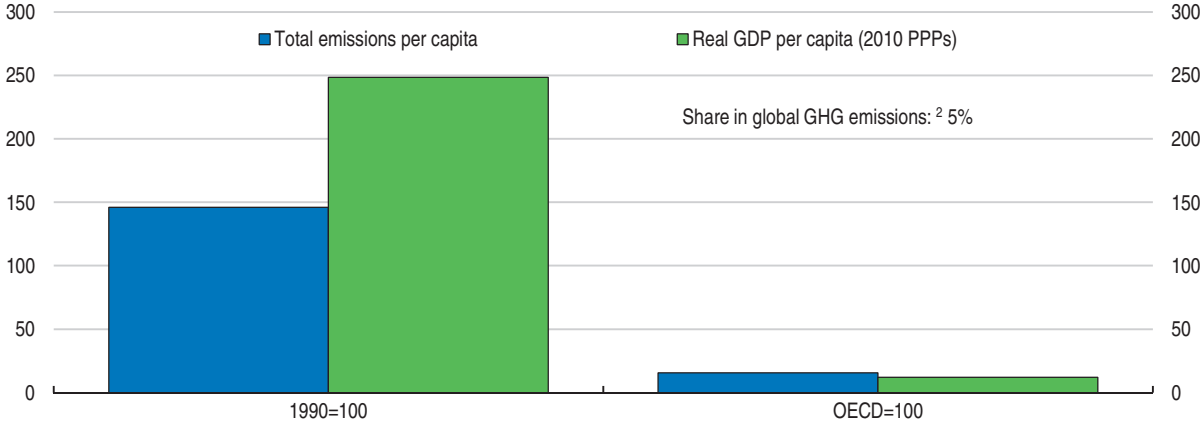
INDIA

Beyond GDP per capita: Other policy objectives

A. Absolute poverty has significantly decreased in both urban and rural areas
Absolute poverty headcount at the USD 1.9 per day line



A. Emissions per capita have risen by less than GDP since 1990
2010[1]



1. Total GHG emissions in CO_2 equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: *World Bank Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933456026

INDONESIA

- Indonesia's GDP per capita gap relative to the most advanced OECD countries remains large, but gradually narrows as the economy is shifting away from low-productivity primary sectors to services and manufacturing. While labour utilisation is already relatively high, it is also continuing to contribute to lifting GDP per capita.
- Income inequality is rising in Indonesia although it is not particularly high in comparison with other emerging-market countries. This has largely been driven by a growing gap between the rich and the poor within cities, combined with the very rapid pace of urbanisation. Income inequality across the regions has been slowly declining.
- Progress is being made in a number of areas particularly in the provision of infrastructure. While the government is prioritising education, including by improving the quality of teaching, there are still few signs of improved outcomes. There have also been reforms to the Negative Investment List, which proscribes foreign investment in certain sectors. Nevertheless, the system remains cumbersome and arbitrary and should be abolished. A cap has been introduced on increases in the minimum wage. However, rigidities in the labour market remain, and these are contributing to the high levels of labour market informality and youth unemployment.
- The targeting and coverage of programmes designed to increase access to education should be improved, and measures to improve the quality of teaching should be stepped up. Measures to encourage private-sector participation in infrastructure investment need to be improved.
- Eliminating the remaining subsidies on diesel and electricity would allow a further reprioritisation of spending towards promoting inclusive and sustainable growth, including ramping up spending on education and sustaining spending on infrastructure. Reforms in this area would not only boost growth but also raise equity and environmental sustainability.

Going for Growth 2017 priorities

Enhance outcomes in education. Public spending on education remains below the government's target (20% of government spending). Outcomes and teaching quality remain poor, including high levels of teacher absenteeism.

Actions taken: Programmes to improve teacher qualifications through certification and training are ongoing. However, beyond substantially increasing teacher wages, there is little evidence of improved outcomes. Improved utilisation of the national poverty database will facilitate better targeting of conditional cash transfers, including those aimed at facilitating access to education.

Recommendations: Continue stepping-up spending in education. Encourage higher enrolment and quality at primary and secondary levels through regular teacher assessment and professional development. More closely link teacher salaries to not just qualifications, but also performance and ongoing training.

Improve the regulatory environment for infrastructure. Regulatory uncertainty, particularly at the regional level, is hampering private investment in infrastructure, including via PPPs.

Actions taken: A land acquisition regime continues to be refined, which should smooth the way for the development of much needed transport infrastructure investment, including with greater private participation.

INDONESIA

Growth performance and inequality indicators

A. Growth

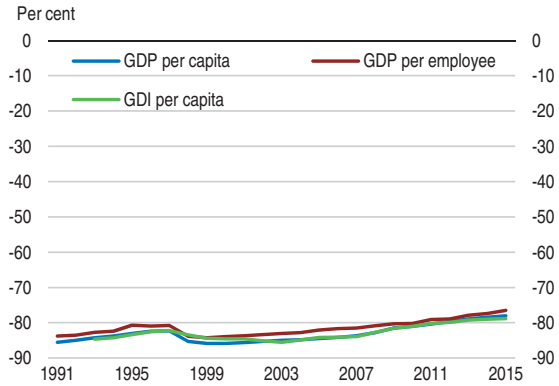
Average annual growth rates (%)	2003-09	2009-15
GDP per capita	4.1	4.3
Labour utilisation[1]	0.7	0.2
Labour productivity	3.4	4.0

B. Inequality

	Level	Annual variation (percentage points)
	2014	2008-14
Gini coefficient[2] (rural areas)	31.9	0.3
Gini coefficient[2] (urban areas)	42.8	1.0

C. The large gaps in GDP per capita and productivity have diminished rather slowly

Gap to the upper half of OECD countries[3]



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3. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per employee and GDI per capita (in constant 2010 PPPs).

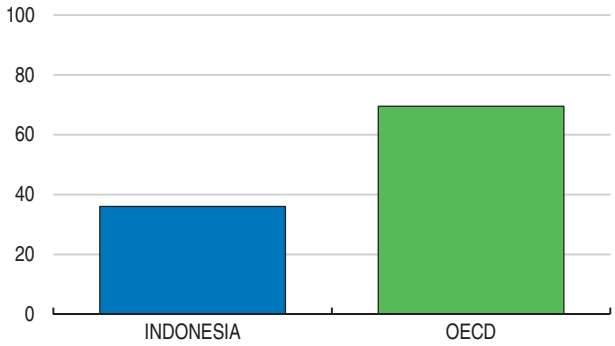
Source: OECD, *National Accounts Database*; World Bank, *World Development Indicators (WDI) Database*; International Labour Organization (ILO), *Key Indicators of the Labour Market (KILM) Database*.

StatLink http://dx.doi.org/10.1787/888933455114

Policy indicators

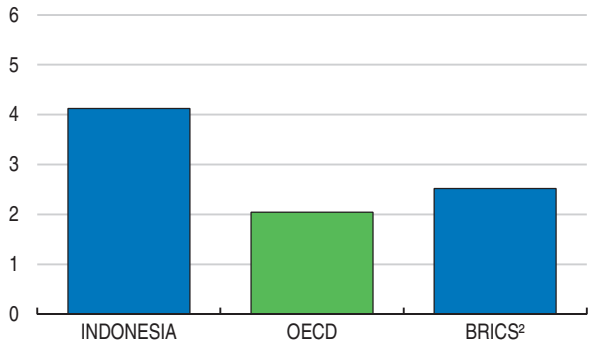
A. The level of corruption is perceived to be high

Index scale of 0-100 from highest to lowest level of perceived corruption, 2015[1]



B. Employment protection legislation for regular workers is stringent

Index scale of 0-6 from least to most restrictive, 2012



1. The Corruption Perceptions Index aggregates data from a number of different sources that provide perceptions of business people and country experts of the level of corruption in the public sector. Index scale of 0-100 where a 0 equals the highest level of perceived corruption and 100 equals the lowest level of perceived corruption.
2. Average of Brazil, China, India, the Russian Federation and South Africa.

Source: Panel A: *Transparency International Database on Corruption Perceptions*; Panel B: OECD, *Employment Protection Legislation Database*.

StatLink http://dx.doi.org/10.1787/888933455578

INDONESIA

Recommendations: Government spending on infrastructure should continue with a focus on transportation, logistics, and rural infrastructure. Sub-national governments should be encouraged to step up infrastructure spending, including by making greater use of targeted and matching grants. Given looming fiscal constraints, consideration should be given to issuing infrastructure bonds, including allowing sub-national governments to do so.

Reform labour regulations to reduce informality. Labour informality at around 50% remains high, excluding workers from security of employment, on-the-job training and social security coverage. Very high severance payments, which at around 58 weeks of wages are far in excess of those in peer countries, and other labour market rigidities, mean that potential employers are reluctant to hire, particularly young and low-skilled workers.

Actions taken: In 2015 a cap was put on increases in the minimum wage.

Recommendations: Regulations that impede labour market flexibility should be reformed. This includes reducing overly generous severance payments.

Further reduce energy subsidies. Subsidies on diesel and electricity, totalling around 7% of total government spending, disproportionately benefit richer households and lead to overconsumption and undesirable environment impacts.

Actions taken: Electricity subsidies have been scaled back in 2016.

Recommendations: Continue to phase out fuel and electricity subsidies, which will allow a reprioritisation of government spending programmes. Compensate the poor through existing targeted schemes, including the conditional transfer scheme.

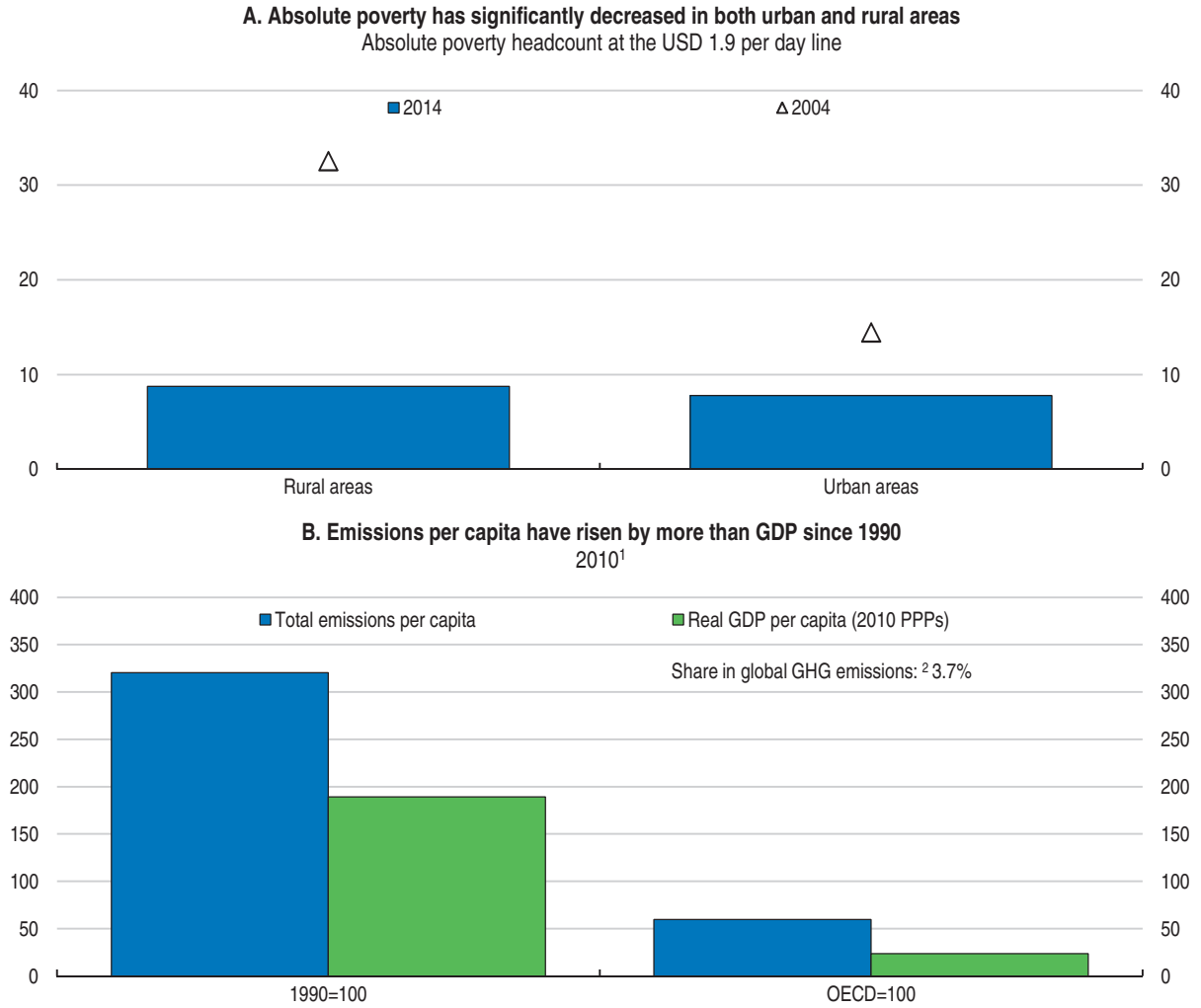
Ease barriers to entrepreneurship and investment, and strengthen institutions to fight corruption. Businesses, foreign and domestic, face significant barriers to both formation and operation. The Negative Investment List is curtailing competition by restricting foreign investment in certain sectors. Inconsistencies in regulation across levels of government are obstructing investment in the regions. Corruption remains an impediment to business growth and the efficient functioning of the civil service.

Actions taken: Since mid-2015, the government has prioritised reforms aimed at improving the business climate, including streamlining procedures for the setting up and running a business.

Recommendations: Continue to streamline business regulation, paying special attention to regulations in sub-national jurisdictions. Ease barriers to foreign investment by removing non-strategic sectors from the Negative Investment List. The fight against corruption needs to be sustained, including by increasing resources to the Corruption Eradication Commission and vigorously defending its independence.

INDONESIA

Beyond GDP per capita: Other policy objectives



1. Total GHG emissions in CO_2 equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: *World Bank Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933456032

IRELAND

- GDP per capita was among the highest in the OECD in 2015, due to the unusually strong activities of multinational enterprises. Excluding these activities, GDP per capita was still above the average of the advanced OECD countries in 2015. Strong labour productivity growth has more than offset weak labour utilisation which remains below the pre-crisis level.
- Inequality in household disposable income is slightly below the OECD average while it has increased recently. Ireland's income redistribution system reduces market income inequality by the largest margin in the OECD, essentially through well-targeted social benefits in particular toward the poorest of the population.
- Good progress has been achieved on all previous *Going for Growth* priorities. The Back to Work Family Dividend introduced in 2015 ensures continuous supplemental benefits for children for two years after returning to work. The conditionality of lone parent benefits was enhanced for those with children aged 7 and above in 2015. Since significant improvement has been made to improve work incentives for women, it is no longer a *Going for Growth* priority area.
- Fostering innovation and removing barriers to entrepreneurship and competition would encourage a more dynamic and cost-competitive home-grown business sector, making economic growth more sustainable. Intensifying activation policies and revamping the welfare system to get more people back to work would help both employment growth and social cohesion.

Going for Growth 2017 priorities

Enhance activation policies. The share of long-term unemployment remains high, which should be addressed by evidence-based improvements in labour market programmes, accompanied by the obligations on benefit recipients to seek a job or take training.

Actions taken: The long-term unemployed are increasingly covered by activation policies, which have been put on a more systematic footing with the launch of JobPath (whereby private providers are in charge of activating the long-term unemployed) in mid-2015.

Recommendations: Increase resources to the programmes that are found to be efficient, such as the *Momentum* programme (vocational training targeted to the long-term unemployed). Fully enforce the obligations of the unemployed and improve the enforcement framework by defining more objectively the suitable job offer that the benefit recipient has to accept in terms of wages and contract types.

Reform the tax and welfare system. The share of low-income households remaining inactive is high, as their incentives to join the labour force are distorted due to rapid withdrawal of housing assistance payments and the Family Income Supplement, implying very high replacement and marginal effective tax rates.

Actions taken: The Back to Work Family Dividend was introduced in January 2015, ensuring continuous supplemental benefits for children for two years after returning to work.

Recommendations: Ensure that the Rent Supplement depends on income rather than employment status. Reduce the Family Income Supplement more gradually than it is currently the case as income increases. Increase the local property tax rate and simultaneously introduce a low-income waiver to protect poorer households.

IRELAND

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		-0.1	5.3
Labour utilisation		-0.9	0.4
of which:	Labour force participation rate	0.4	-0.3
	Employment rate[1]	-1.3	0.5
	Employment coefficient[2]	0.0	0.2
Labour productivity		0.7	5.5
of which:	Capital deepening	2.0	0.9
	Total factor productivity	-1.2	4.5
Dependency ratio		0.1	-0.5

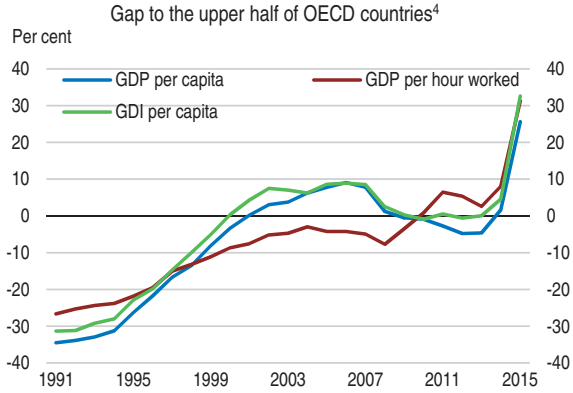
B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	30.9 (31.7)*	0.3 (0)*
Share of national disposable income held by the poorest 20%	8.2 (7.7)*	-0.1 (0)*

** OECD average*

C. GDP per capita is among the highest in the OECD

Gap to the upper half of OECD countries[4]



1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

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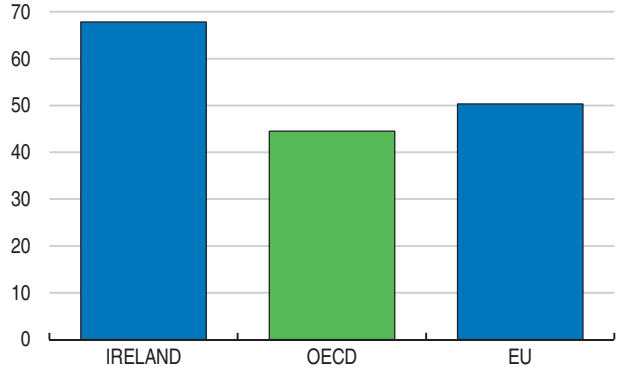
Policy indicators

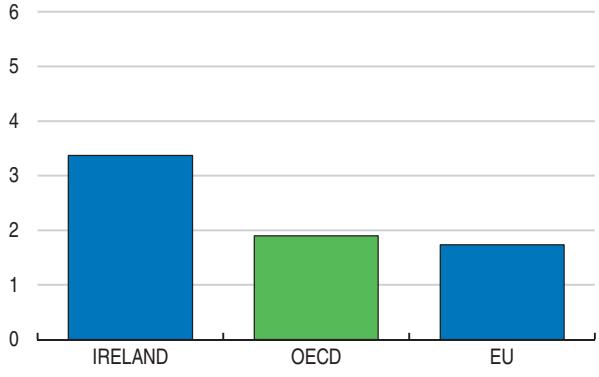
A. Marginal effective tax rates are high for low income families

Percentage of total labour compensation,[1] 2015



B. Complexity of regulatory procedures is relatively high

Index scale of 0-6 from least to most restrictive, 2013



1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. Marginal labour tax wedge for a single person at 67% of average earnings with two children.

Source: Panel A: OECD, *Taxing wages Database*; Panel B: OECD, *Product Market Regulation Database*.

StatLink http://dx.doi.org/10.1787/888933455586

IRELAND

Strengthen competition in non-manufacturing sectors. Competition in utilities and some sheltered service sectors including transport, the legal profession and ports remains relatively weak.

Actions taken: The Legal Services Regulation Bill was enacted in December 2015 and the new Legal Services Regulatory Authority (LSRA) came into operation in early 2016.

Recommendations: Improve access to and competition among the legal professions, and make legal costs more transparent ensuring efficient functioning of the new Authority. Decrease vertical integration in electricity. Shorten lease periods for port terminal operators and issue more stevedoring licences.

Enhance R&D spending and innovation. R&D spending remains relatively low and most activity is undertaken by foreign firms, while the diffusion of innovation to smaller, national firms is limited by weak linkages with foreign firms.

Actions taken: Science Foundation Ireland established 12 large-scale research centres in early 2015, associating over 200 industry partners. These research centres operate alongside 13 industry-led technology centres supported by Enterprise Ireland and IDA Ireland.

Recommendations: Rebalance innovation support, which is increasingly skewed toward R&D tax credits, toward direct grants. Continue the strategy of building up fewer, larger academic research centres and ensure strong linkages with firms, including multinational enterprises. Introduce a Research Technology Organisation focussed on SME needs.

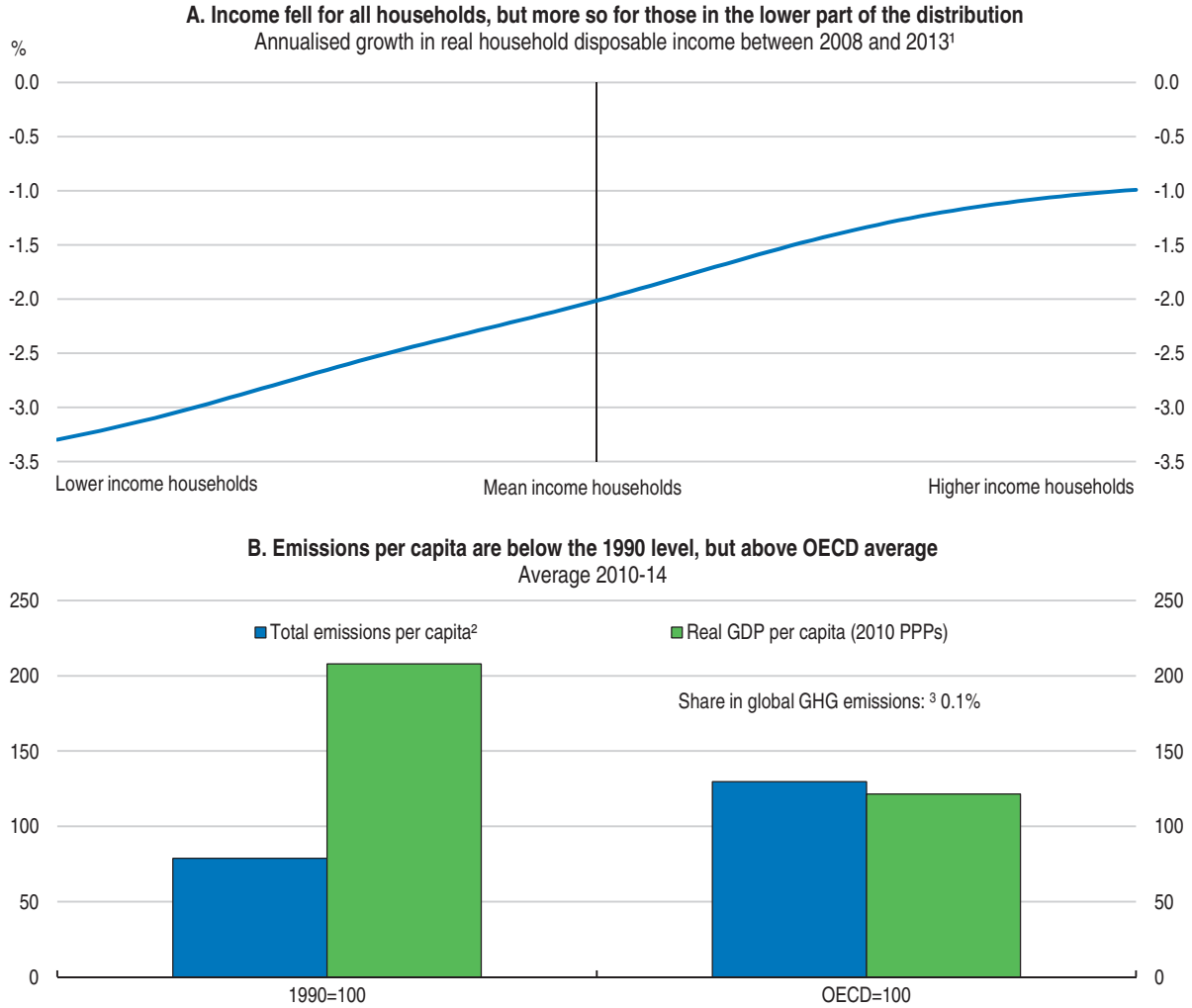
Reduce barriers to entrepreneurship. The regulation of licence and permits required to start and operate a business is relatively restrictive, while enforcing contracts and registering property is also difficult for businesses.

Actions taken: The Integrated Licence Application Service (ILAS) was launched in early 2016, enabling businesses to apply for, renew and pay for licences provided through ILAS, thus facilitating procedures vis-à-vis licencing authorities.

Recommendations: Continue the strategy of reducing fees and waiting times for licences and permits required to start and operate business. Shift away from high fees charged to obtain planning permission towards recurrent property taxation. Introduce a real estate conveyancing profession.

IRELAND

Beyond GDP per capita: Other policy objectives



1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2008 and 2013. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
2. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933456046

ISRAEL[1]

- The convergence in per capita income with leading OECD countries has stalled somewhat in the last few years. This reflects a decline in potential growth due to weaker productivity gains, and the rising share of dependents relative to the working-age population, as the ageing process has begun to affect the country.
- Income inequality and poverty have been broadly stable since 2008, like the OECD average, but their level remains substantially higher than in most other Member countries. Poverty has in particular high prevalence and depth.
- The authorities have taken measures to boost product market competition by further opening agricultural and food sectors to imports and facilitating the entry of new competitors in the banking and postal sectors. Eligibility conditions for earned income tax credits have been broadened and family allowances have been raised to improve the integration of disadvantaged groups to employment and reduce poverty. Education funding for the underprivileged has also benefited from additional fiscal resource.
- Stronger competition in the sheltered sector is key to raising income and social cohesion. Additional reforms are needed in the food and agricultural industries to lower non-tariff barriers to imports. Productivity gains would also be stimulated by more efficient electricity sector and lower regulatory burden on businesses. More effective education systems and active labour market policies would help to better integrate under-privileged groups into the labour market and increase inclusive growth.
- More developed urban transports would reduce the time wasted in traffic congestion as well as lower local pollution and greenhouse gas emissions. It would also make it easier to live in lower-price housing areas and promote labour market participation for those living in remote areas

Going for Growth 2017 priorities

Improve education outcomes and inequalities. The quality of education is inadequate especially for Haredim and Israeli Arabs who are likely to hold insecure and low-paid jobs because of their low skills.

Actions taken: Additional fiscal resources helped to further reduce class sizes in Arab school in 2015. However, linking public funding for Haredi schools to the number of hours of mathematics and English in the curriculum faced implementation obstacles due to hostility of community leaders.

Recommendations: Further raise education funding per students especially for disadvantaged groups, which is substantially lower than the OECD average. Back-up these budget increases with structural reforms, ensuring that basic skills in core secular subject are taught in Haredi schools. Develop vocational education and training more fully for young adults.

Cut red tape for businesses. The business environment is hampered by excessive regulatory burdens, with high barriers to entrepreneurship and long and cumbersome business licensing.

Actions taken: In end 2015, the government adopted a plan to reduce the administrative and compliance costs linked to the existing regulatory burden of regulations by 25% by 2019.

1. 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.

ISRAEL

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		2.3	1.9
Labour utilisation		0.8	1.3
of which:	Labour force participation rate	0.3	0.6
	Employment rate[1]	0.7	0.8
	Employment coefficient[2]	-0.1	0.0
Labour productivity		1.0	0.8
of which:	Capital deepening	-0.7	-0.4
	Total factor productivity	1.8	1.2
Dependency ratio		0.5	-0.3

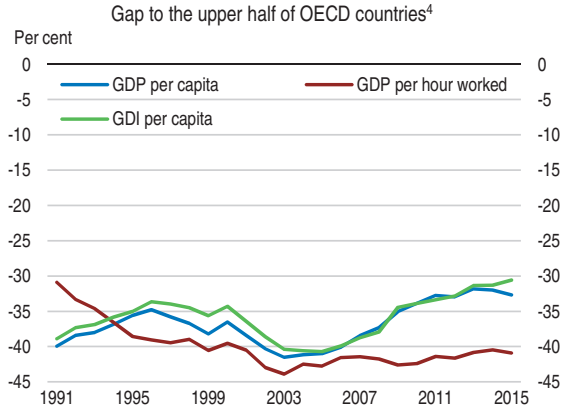
B. Inequality

	Level	Annual variation (percentage points)
	2014	2008-14
Gini coefficient[3]	36.5 (31.7)*	0 (0)*
Share of national disposable income held by the poorest 20%	5.7 (7.7)*	0 (0)*

** OECD average*

C. The negative gap in productivity has remained stable

Gap to the upper half of OECD countries[4]



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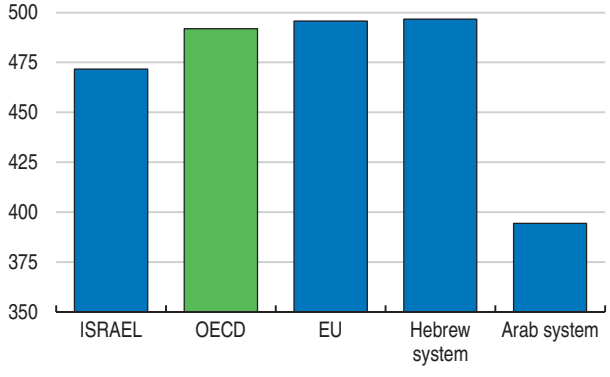
Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

StatLink http://dx.doi.org/10.1787/888933455137

Policy indicators

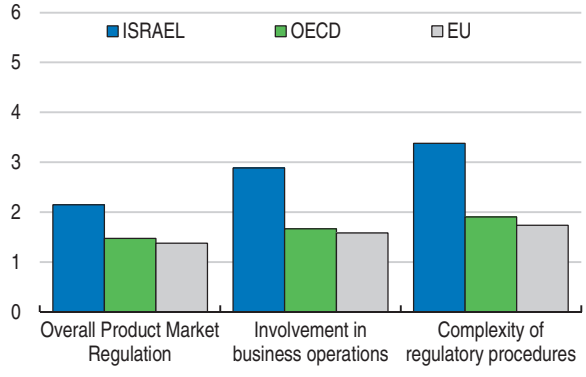
A. Student performance is low for some groups

Average of PISA scores in mathematics, science and reading, 2015



B. Regulatory barriers to entrepreneurship are high

Index scale of 0-6 from least to most restrictive, 2013



Source: Panel A: OECD, *PISA Database*; Panel B: OECD, *Product Market Regulation Database*.

StatLink http://dx.doi.org/10.1787/888933455590

ISRAEL

Since 2016, all new laws likely to affect competition are submitted to a regulatory impact assessment (RIA).

Recommendations: Shorten processing time of licensing procedures in particular for environmental authorisations. Implement the projected cut in the regulatory burden by relying on high-quality regulatory impact assessment. To this end, ensure that a well-trained team in the domain of RIA closely assists and checks the quality of the work within departments until they become familiar with the new procedures.

Strengthen product market competition. There are substantial barriers to competition with monopolies in several sectors, including in retail banking, the entire food chain and the network industries, especially electricity.

Actions taken: Since early 2016, regulatory changes are being made to ease the entry of new competitors in retail banking, including non-banking credit institutions. Import barriers in the food sectors were reduced. Private firms can access new segments of the postal market.

Recommendations: Replace agricultural quotas, guaranteed prices and customs tariffs with direct payments to farmers. Further cut non-tariff barriers on staples by adopting EU import procedures on food products. Follow through on plans to allow the entry of new competitors in retail banking. Boost competition in power generation and create a separate infrastructure operator in the electricity sector.

Strengthen active labour market policies and promote labour market participation. The public employment service has limited tools to promote the reintegration of jobseekers in the labour market. Caseloads are very high, and vocational training opportunities are only available to a small number of jobseekers.

Actions taken: Eligibility to the earned income tax credit scheme has been enlarged in 2015. The authorities have launched pilot projects, such as Employment Circles aimed at assisting income support beneficiaries to integrate into the labour market, which have shown promising results in 2015.

Recommendations: Expand active labour market policies and earned income tax credits. Further improve labour law enforcement in sectors with many low-paid workers, including Arab-Israelis, Haredim and foreigners.

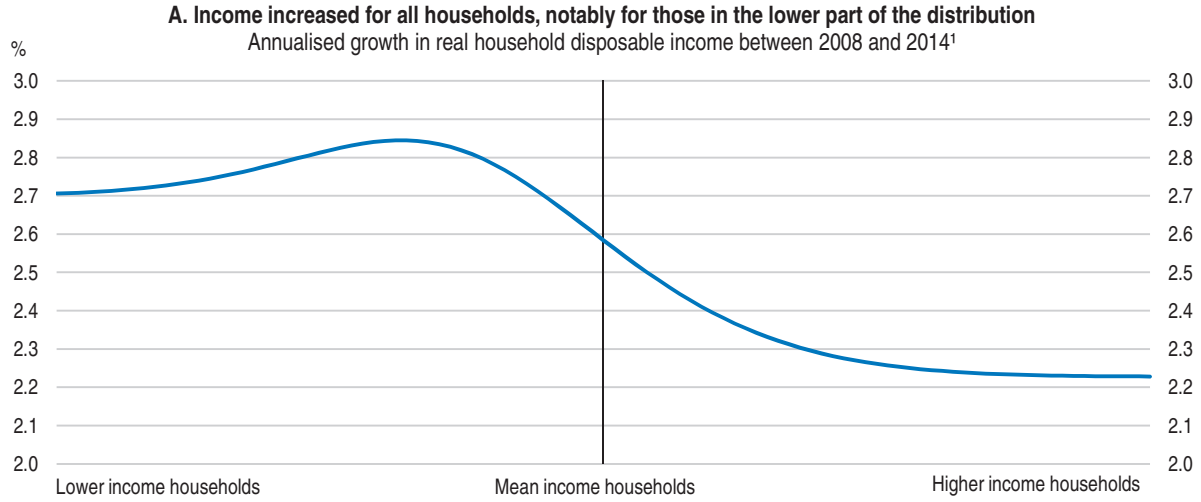
****Upgrade transport infrastructure.****[2] Under-development of urban public transports contributes to local pollution, CO_2 emissions, and high urban congestion costs, estimated at 1.5% of GDP every year.

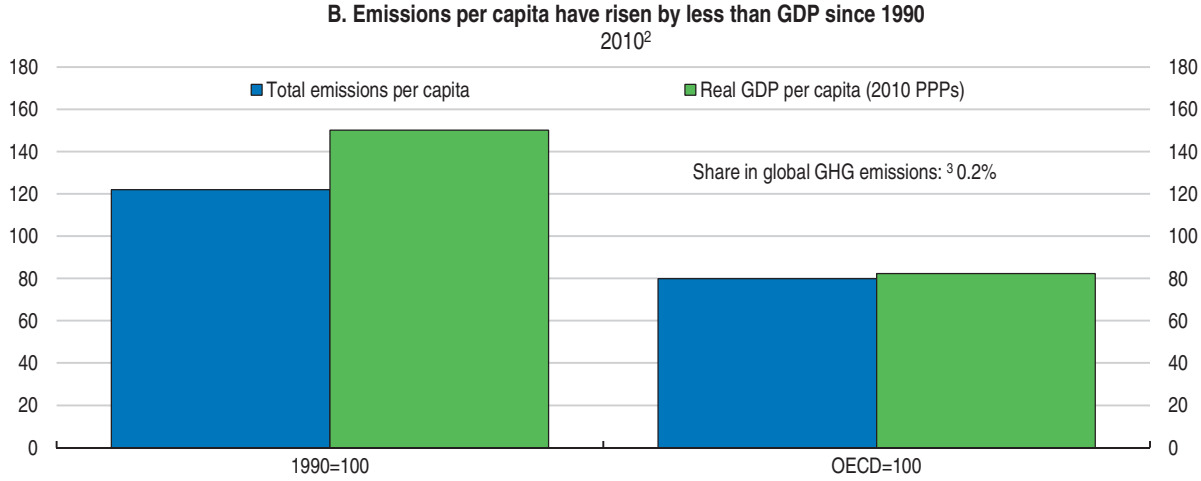
Recommendations: Enhance urban transport infrastructure to reduce congestion and waste of time and to improve environmental outcomes and labour mobility.

2. New policy priorities identified in Going for Growth 2017 (with respect to Going for Growth 2015) are preceded and followed by an "*".

ISRAEL

Beyond GDP per capita: Other policy objectives





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StatLink http://dx.doi.org/10.1787/888933456053

ITALY

- GDP per capita is about 75% the average of the most advanced OECD countries, after having fallen in relative terms for more than 20 years. Following the crisis, annual potential GDP per capita growth has turned negative due to declining trends in employment and total factor productivity. Also, severe retrenchment in investment spending has reduced the productive capital stock, further hindering labour productivity growth.
- Inequality has increased in recent years, contrasting with the stability observed in OECD average. The Gini coefficient rose by 0.2 point between 2008 and 2013; poverty has increased substantially, especially among children and youth.
- In the past few years, Italy has implemented significant structural reforms, which have addressed some of the *Going for Growth 2015* priorities. The Jobs Act has rebalanced the protection system from jobs to workers' income and introduced a universal unemployment insurance system. The *Good School* reform has established a formal evaluation system of teachers and heads of schools, which will have to be fully implemented. Also, regulatory barriers to competition have been reduced. Thus, these are no longer priority areas in *Going of Growth*, though weak enforcement relating to the inefficiency of the public administration continues to thwart the potential benefits of reforms.
- Progress on implementing the ambitious reform agenda depends significantly on increasing the efficiency of its public administration and improving the judicial system A more efficient public administration will magnify the benefits of structural reforms. New active labour market policies foreseen by the Jobs Act should be phased in quickly, as they are crucial to reduce structural unemployment. Improving the efficiency and equity of the tax structure by permanently lowering the labour tax wedge, combating tax evasion, broadening the tax base and simplifying the tax system will lead to a more inclusive growth and generate resources to further strengthen the social safety net. Enhancing the quality of public capital spending and fostering innovation and investment in knowledge-based capital will boost the quality and quantity of the productive capital stock.
- Improving co-ordination of Italy's multi-level environmental governance and ensuring compliance with environmental regulation will hinge on raising the efficiency of the public administration. Strengthening the link between taxation and environmental externalities would contribute to make the tax system more efficient and reduce pollution.

Going for Growth 2017 priorities

Improve the efficiency of the public administration and bolster the rule of law.[*1] Continuing to raise the public administration efficiency is key to increasing national productivity and well-being. A better-functioning judiciary is crucial to improve economic performance as lengthy trials undermine the rule of law and impose heavy costs on firms and individuals.

Recommendations: Implement a more performance-oriented human resource system in the public administration and improve skill levels as envisioned by the recent public administration reform. Fight corruption vigorously by ensuring that the National Anti-Corruption Agency (ANAC) continues to have the power, funds and human resources to conduct its tasks effectively. Make further progress on streamlining the court system – with more court specialisation where appropriate, more extensive use of mediation and effective monitoring of court performance, extending the e-tax process to the whole country and broadening it to other areas. Ensure that legislation is clear and unambiguous.

Enhance active labour market policies. Without effective activation policies, long-term unemployed risk permanent labour market and social exclusion.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

ITALY

Growth performance and inequality indicators

A. Growth

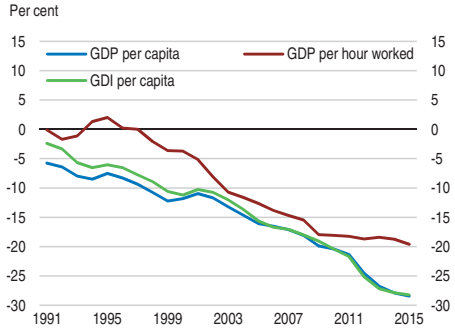
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		-0.8	-0.6
Labour utilisation		0.2	-0.7
of which:	Labour force participation rate	-0.1	0.2
	Employment rate[1]	0.1	-0.8
	Employment coefficient[2]	0.1	-0.1
Labour productivity		-0.6	0.0
of which:	Capital deepening	1.0	0.1
	Total factor productivity	-1.5	0.0
Dependency ratio		-0.3	0.0

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	32.5 (31.7)*	0.2 (0)*
Share of national disposable income held by the poorest 20%	6.8 (7.7)*	-0.1 (0)*

** OECD average*

C. Gaps in GDP per capita and productivity have continued to widen
Gap to the upper half of OECD countries[4]



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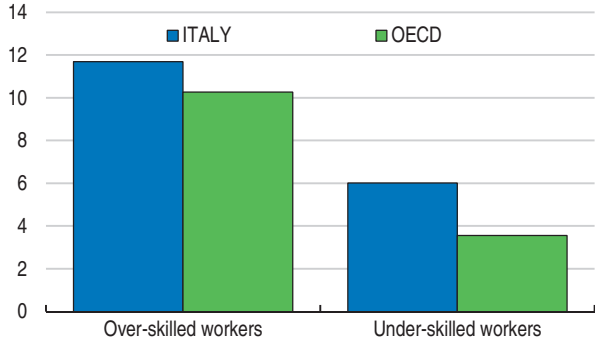
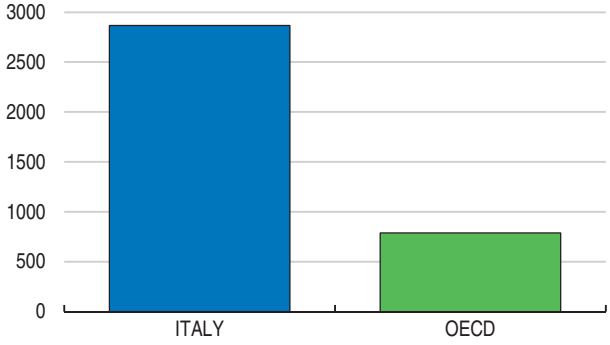
StatLink http://dx.doi.org/10.1787/888933455143

Policy indicators

A. The mismatch between the skills of workers and the skill requirements of jobs is large[1]
Percentage of over- and under-skilled workers in literacy, 2012



B. The duration of trials is comparatively very high
Total trial length (number of days), 2010



1. Over- (under-) skilled workers are those whose proficiency score is higher (lower) than that corresponding to the 95th (5th) percentile of self-reported well-matched workers in their country and occupation.

Source: Panel A: OECD (2013), *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*; Panel B: OECD (2013), "What makes civil justice effective?", *OECD Economics Department Policy Notes*, No. 18, June 2013.

StatLink http://dx.doi.org/10.1787/888933455602

Actions taken: The Jobs Act approved and implemented in 2015 has reformed active labour market policies by creating the National Agency for Active Labour Market Policies (ANPAL) to co-ordinate regional job centres, establish minimum standards and evaluate

active labour market policies. The conditionality between receiving unemployment benefits and participation in active labour market programmes, delivered also by private job agencies, has been strengthened in 2015. The new legislation also introduces a nationwide information system to facilitate data exchange among regional job centres, ensure compliance with benefits' eligibility criteria, and monitor services provided. The new system of active labour market policies has yet to be fully implemented.

Recommendations: Implement the new system of active labour market policies. Establish an evaluation system to assess the effectiveness of active measures and job centres on a regular basis. Build strong partnership between ANPAL and private job agencies and fully exploit market incentives to increase the offer and improve quality of employment and training services.

Improve the efficiency of the tax structure and strengthen the social safety net. The tax wedge on low-wage earners is high, the tax code is over-complicated and evasion is high, curtailing resources to combat poverty and enhance the social safety net.

Actions taken: The temporary cuts to social security contributions for new permanent contracts were extended to 2016 and 2017, though they were reduced. In 2015, the additional tax receipts attributable to lower tax evasion reached about EUR 15 billion, 5% higher than in 2014. Housing taxes on primary residence have been repealed in 2015. The deadline of the reform of cadastral values has been postponed to 2018.

Recommendations: Reduce distortions and incentives to evade and elude taxes by keeping up efforts against tax evasion (through higher investment in IT systems and better human resource management in tax collection agencies), lowering high nominal tax rates and abolishing tax expenditures devoid of an economic or social rationale. Permanently lower social security contributions, especially for low-wage jobs and shift taxation towards immovable property based on updated cadastral values. Strengthen the link between taxation and environmental externalities. Reduce the fragmentation of anti-poverty programmes, as planned, and improve their targeting while avoiding poverty traps.

Reduce job-skill mismatch. Better quality education, on-the-job training, strengthening firm-level wage setting mechanisms and higher labour mobility will lower skills mismatches.

Actions taken: The Jobs Act and the Good School reform, approved in 2015, contain provisions to facilitate the school-to-job transition process – by boosting work placements for secondary school students, and improve on-the-job training – by strengthening and rationalising apprenticeships. The government also reformed the vocational education system in 2015. The University Plan 2016-2018 allows universities to add, to a limited extent, to their degree courses labour-market relevant subjects.

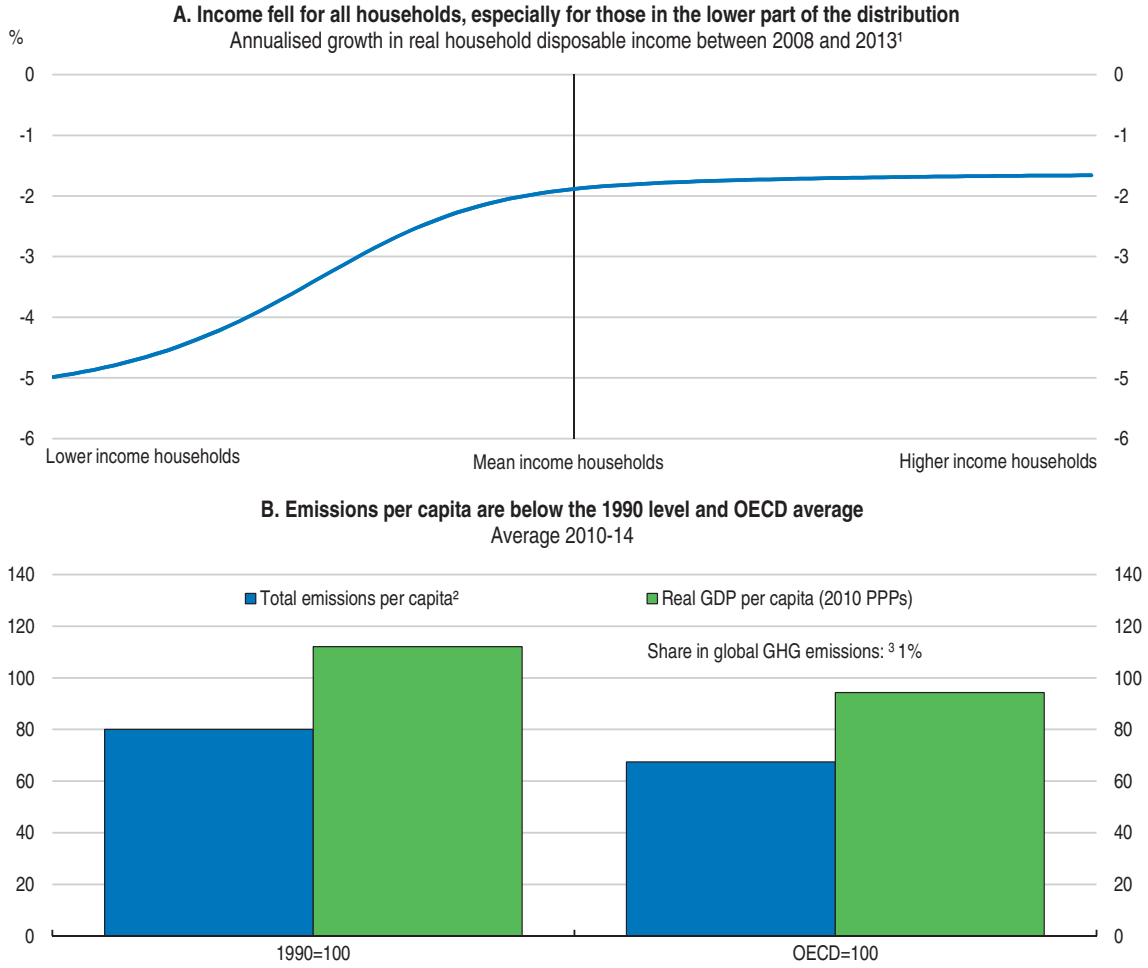
Recommendations: Improve co-ordination between education and labour market policies. Encourage universities and technical schools to revise curricula – in partnership with social partners – so as to reflect present and future skills demands. Continue to make wage setting mechanisms more flexible to take into account firm-specific conditions and monitor initiatives already undertaken in this area. Shift housing taxation from transactions to ownership so as to foster residential mobility.

Promote higher and better quality investment. The low level of public investment and inefficiencies in project selection criteria along with weak innovation and knowledge-based capital investment are holding back potential growth.

ITALY

Recommendations: Enhance the quality of public investment by fully implementing the new public procurement code for construction works, improving infrastructure projects' evaluation and selection, and fighting vigorously corruption. Fully exploit EU initiatives to boost private investment and deepen the Trans-European networks and the Energy Union. Support and monitor the policies undertaken to work out banks' non-performing loans so as to revive bank credit to firms and private investment. Continue to streamline insolvency procedures so as to accelerate the restructuring of viable firms and the exit of those no longer viable. Implement and evaluate the recently introduced programmes to bolster links between research universities and the private sector, strengthen the monitoring and evaluation of public research funds to raise the share of funds allocated through competitive procedures.

Beyond GDP per capita: Other policy objectives



1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2008 and 2013. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
2. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933456065

JAPAN

- Per capita income remains about a quarter below the most advanced OECD countries, reflecting somewhat weak labour productivity, which is held back by a marked slowdown in capital accumulation. Despite significant declines in the working-age population, a rising participation rate, notably among women, is boosting labour inputs.
- Income inequality has decreased recently but the Gini index remains significantly above the OECD average. The share of disposable income held by the poorest 20% of the population is below the OECD average, reflecting entrenched labour market dualism and the weak redistributive effect of the tax and social welfare system on the working-age population.
- Structural reforms during the past few years have addressed some of the priorities in *Going for Growth 2015*. From 2018, farmers will be allowed to produce rice without relying on a government quota allocation and Japan's participation in the Trans-Pacific Partnership will require further liberalisation of agriculture. The legal unbundling of electricity transmission and distribution was approved in 2015. The corporate income tax rate was reduced from 37% in FY 2013 to just below 30% in FY 2016, although the planned hike in the consumption tax rate to 10% has been postponed from 2015 to 2019. Rising employment of women has been supported by an expansion in childcare. In 2015-2016, the government created four additional "National Strategic Special Zones" in which regulations in a number of areas were relaxed.
- Narrowing the productivity gap requires further reforms to reduce entry barriers, especially in services, and encourage inward FDI. Enhancing the competitiveness of agriculture through the consolidation of farmland and increased entry of business-oriented farmers would facilitate Japan's participation in comprehensive trade agreements. To mitigate the impact of a shrinking and ageing population, it is essential to increase the employment of women by reducing disincentives for second earners in the tax and social security system, further expanding childcare and breaking down labour market dualism, which would also lower income inequality and boost productivity by encouraging firm-based training.
- Higher environmental taxes would help achieve environmental goals, while raising government revenue. Following through on the reform of the electricity sector would also facilitate the use of renewables.

Going for Growth 2017 priorities

Ease entry barriers for domestic and foreign firms in the services sector. Product market regulations limit competition and investment in services, reducing productivity.

Actions taken: The 2015 revision of the Electricity Business Act requires legal unbundling of power transmission and distribution in 2020, followed by the elimination of regulations on retail prices. In 2015-16, the government created four additional "National Strategic Special Zones" in which regulations, notably on healthcare and employment, were relaxed.

Recommendations: Extend the reforms in the Special Zones nationwide. Reduce entry barriers, while lowering restrictions on service imports and inward FDI, including those on ownership. Increase fines on violators of the Anti-Monopoly Act (AMA) and reduce exemptions from the AMA. Break down the ten regional monopolies in the electricity sector and create a competitive, nationwide market, which would also support the development of renewable energy. Follow through on the full privatisation of Japan Post, including its banking and insurance companies, as outlined in the 2005 law.

Reduce producer support to agriculture. Support for agricultural producers is more than double the OECD average, raising prices for consumers and complicating Japan's

JAPAN

Growth performance and inequality indicators

A. Growth

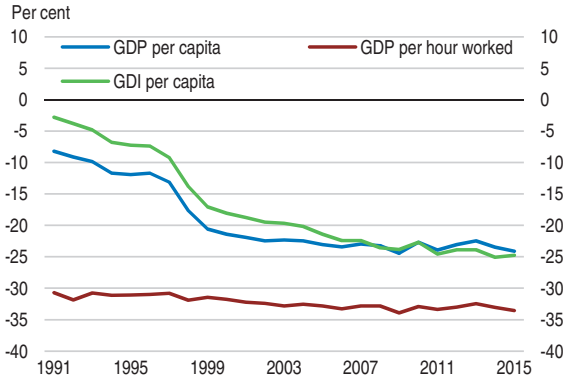
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		0.1	1.4
Labour utilisation		0.3	0.6
of which:	Labour force participation rate	0.2	0.3
	Employment rate[1]	0.0	0.3
	Employment coefficient[2]	0.0	0.0
Labour productivity		0.1	1.1
of which:	Capital deepening	0.4	-0.6
	Total factor productivity	-0.3	1.8
Dependency ratio		-0.3	-0.4

B. Inequality

	Level	Annual variation (percentage points)
	2012	2009-12
Gini coefficient[3]	33 (31.7)*	-0.2 (0)*
Share of national disposable income held by the poorest 20%	6.5 (7.7)*	0 (0)*

** OECD average*

C. The gap in GDP per capita persists
Gap to the upper half of OECD countries[4]



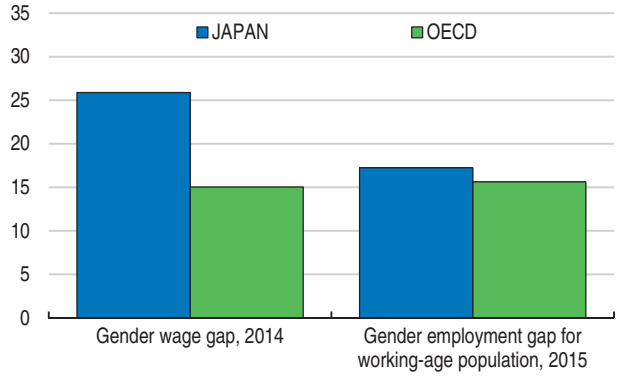
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

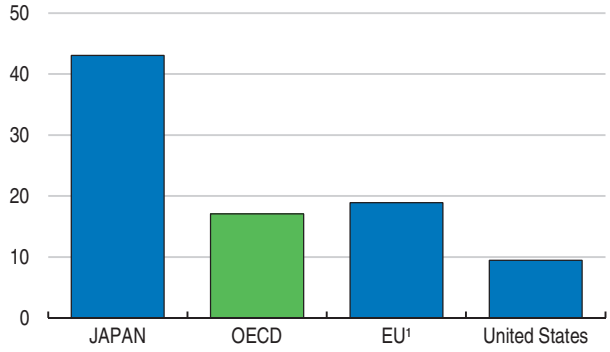
StatLink http://dx.doi.org/10.1787/888933455158

Policy indicators

A. Participation of women in the labour market is low, driving up wage inequality
Percentage



B. Producer support to agriculture is more than double the OECD average
Percentage of farm receipts, 2015



1. For this measure, EU refers to all 28 members of the European Union.

Source: Panel A: OECD, *Labour Force Statistics and Social Protection and Well-being Databases*; Panel B: OECD, *Producer and Consumer Support Estimates Database*.

StatLink http://dx.doi.org/10.1787/888933455611

participation in comprehensive trade agreements. Moreover, producer support in Japan is dominated by the potentially most distorting form of support.

Actions taken: From 2018, farmers will be allowed to produce rice without relying on a government quota allocation, although increased subsidies for manufacturing and feed rice, and other crops, such as barley and wheat, are keeping the rice price high. Direct payments for rice will end in 2018. In 2016, rules on the number of farmers on the boards of agricultural corporations and limits on the voting rights of non-farmers were relaxed.

Recommendations: Reduce agricultural support, including for diversion crops, such as feed rice, barley and wheat, and delink it from production. Promote greater efficiency through farmland consolidation by lifting obstacles to transactions and abolishing the prohibition on non-agricultural corporations owning farmland.

Improve the efficiency of the tax system. The tax system, which has a high corporate tax rate with a narrow base and the lowest consumption tax rate among OECD countries, lowers Japan's growth potential.

Actions taken: The corporate income tax rate, which was one of the highest in the OECD at 37% in FY 2013, was cut to just under 30% in FY 2016. The planned hike in the consumption tax rate to 10% in 2015 has been delayed until 2019 and will be accompanied by the introduction of multiple rates. A personal identification number for tax and social insurance ("my number") was introduced in 2016, thus enhancing transparency about income.

Recommendations: Set a schedule of small annual increases in the consumption tax to raise it toward the OECD average of 20%. Continue to lower the corporate tax rate toward the 26% OECD average and broaden its base. Broaden the personal income tax base by scaling back deductions that primarily benefit high-income households. Increase environmental taxes to achieve environmental goals and boost revenue.

Strengthen policies to support female labour force participation. The employment rate of women is 17 percentage points below that of men, one of the largest gaps in the OECD, slowing growth and reducing social cohesion.

Actions taken: The government expanded the planned increase in the capacity of childcare centres over FY 2013 to FY 2017 from 0.4 million to 0.5 million and aims to boost the capacity of long-term care for the elderly by 0.5 million between FY 2015 and the early 2020s. The Promotion of Women's Career Activities Act, which aims to increase opportunities for women in hiring and promotions and improve work-life balance, took effect in 2016. Companies with more than 300 workers must set quantitative targets to promote the careers of women.

Recommendations: Encourage women's labour force participation through a comprehensive approach that includes further increasing the availability of affordable, high-quality childcare, reducing labour supply distortions in the tax and transfer system and breaking down labour market dualism.

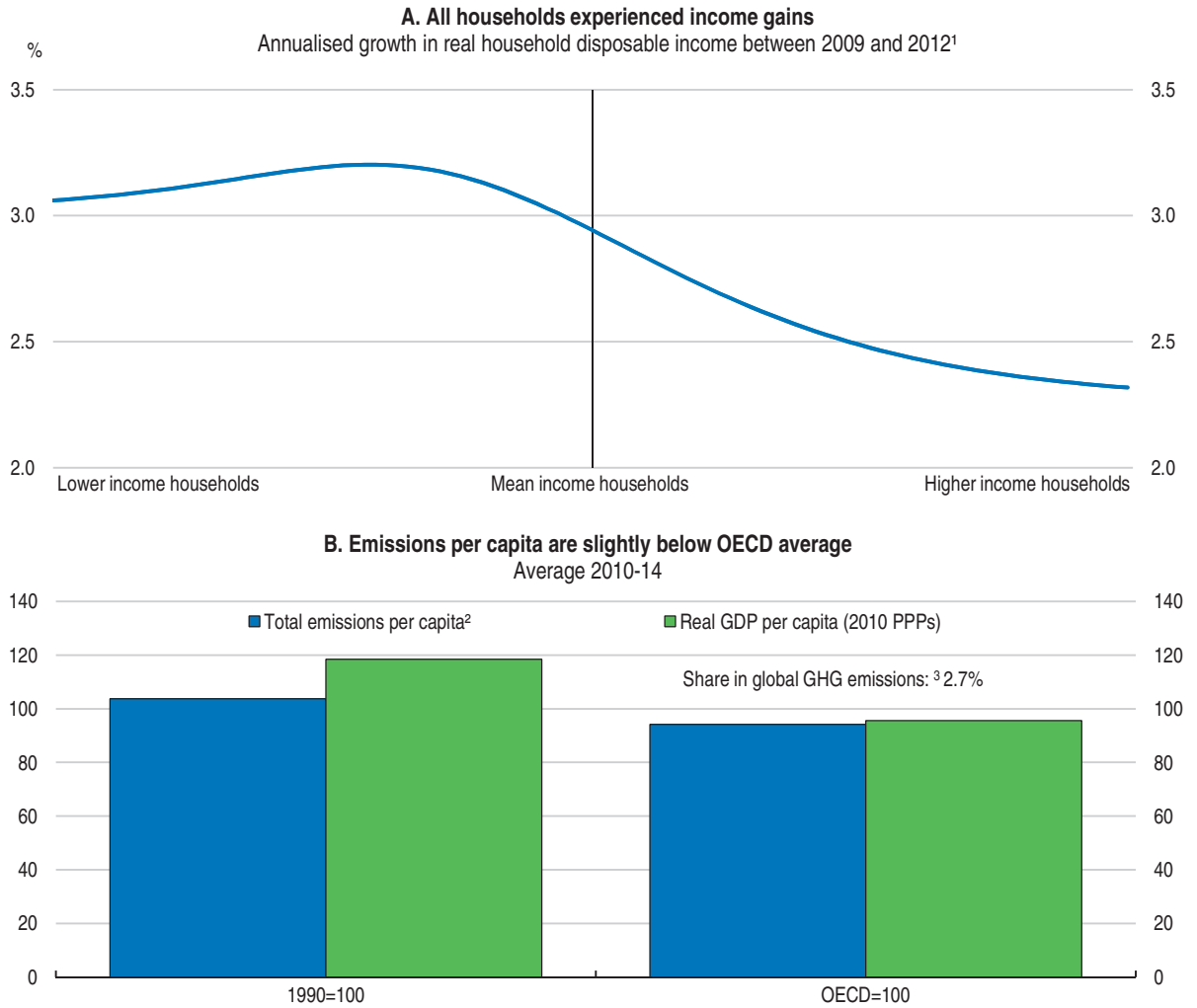
Reform job protection and upgrade training programmes for the unemployed. Labour market dualism stems from the high proportion of non-regular workers – more than a third of total employment – and is a major driver of income inequality. In addition to having low-paid and precarious jobs, non-regular workers receive limited social protection coverage and less training.

JAPAN

Actions taken: An expansion of employees' pension and healthcare extended coverage to additional 250 000 part-time workers in 2016. To promote equal pay for equal work, the government is preparing for attaching guidelines to the Labour Contract Law, the Part-time Workers' Law and the Dispatched Worker Law.

Recommendations: Reduce effective employment protection for regular workers by increasing transparency about the cost of collective dismissal and reducing the role of the judicial system. Further expand social protection for non-regular workers and upgrade training programmes for them.

Beyond GDP per capita: Other policy objectives



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StatLink http://dx.doi.org/10.1787/888933456078

KOREA

- Sustained rapid growth has boosted GDP per capita to within a quarter of the average of the most advanced OECD countries. However, productivity in Korea is only about half as high, while working hours are among the longest in the OECD.
- Inequality, as measured by the Gini index, is below the OECD average, although still higher than in the 1980s during Korea's high-growth era. The share of disposable income of the poorest 20% of the population remains below OECD average, reflecting wage inequality stemming from labour market dualism and the weak redistributive effect of the tax and social transfer system.
- A Tripartite Agreement between management, labour and the government in 2015 is aimed at alleviating labour market dualism. The coverage of non-regular workers by the National Pension Scheme was increased in 2015. Korea made regulatory reform a priority in its Three-year Plan for Economic Innovation by implementing a number of initiatives, notably the "cost-in, cost-out" system, to reduce the burden of regulations on firms. Policies to expand the availability of childcare and improve its quality, while promoting the take-up of parental leave, are boosting the employment rate of women. Korea signed five additional free trade agreements in 2014-15, bringing the total to 15, helping to lower barriers to agricultural imports.
- A comprehensive strategy to break down labour market dualism is essential to reduce high wage inequality resulting from the large wage gap between regular and non-regular workers. It is also a key to increasing the employment of women, along with policies to enhance the quality of childcare and encourage work-life balance and the take-up of maternal and parental leave. Further progress in regulatory reform and reducing the role of administrative guidance is a priority to raise productivity. Relying more on indirect taxes would promote growth while providing an efficient source for financing rapidly rising social expenditures. The tax-financed Basic Pension should be concentrated on low-income elderly to reduce the poverty rate among the population aged over 65 years. Reducing the high level of agriculture protection would promote efficiency and reduce costs for consumers.

Going for Growth 2017 priorities

Reduce the regulatory burden on economic activity. Restrictive product market regulation hinders competition, slowing innovation and productivity gains, particularly in the service sector.

Actions taken: The Regulatory Guillotine and Thorn Under the Nails initiatives had resolved nearly 600 reform proposals made by companies by the end of 2015. The coverage of the sunset rule, which covered 32% of regulations at the end of 2014, is being extended to half by end-2017.

Recommendations: Use the new "cost-in, cost-out" system to reduce the regulatory burden, based on accurate Regulatory Impact Assessments (RIAs), and phase out positive-list regulations. Improve regulatory quality by subjecting proposed legislation, including that initiated by the National Assembly, to RIAs and public consultation. Reduce the role of administrative guidance. Phase out entry barriers for large firms from business lines reserved for SMEs, which are primarily in the service sector.

Strengthen policies to support female labour force participation. The employment rate of women is 21 percentage points below that of men, the largest gap in the OECD, limiting growth and social inclusion.

KOREA

Growth performance and inequality indicators

A. Growth

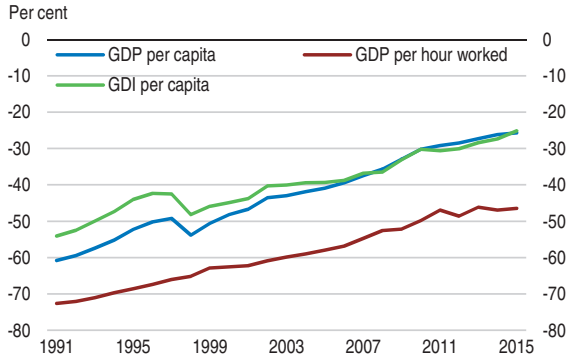
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		3.3	3.0
Labour utilisation		0.0	0.9
of which:	Labour force participation rate	0.0	0.9
	Employment rate[1]	0.0	0.0
	Employment coefficient[2]	0.0	0.0
Labour productivity		2.8	1.9
of which:	Capital deepening	0.6	0.2
	Total factor productivity	2.2	1.6
Dependency ratio		0.5	0.3

B. Inequality

	Level	Annual variation (percentage points)
	2014	2008-14
Gini coefficient[3]	30.2 (31.7)*	-0.2 (0)*
Share of national disposable income held by the poorest 20%	6.9 (7.7)*	0 (0)*

** OECD average*

C. The narrowing of the gap in GDP per capita has recently accelerated but productivity lags behind
Gap to the upper half of OECD countries[4]



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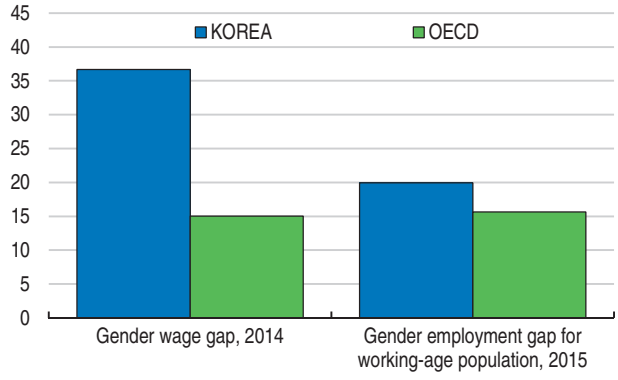
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

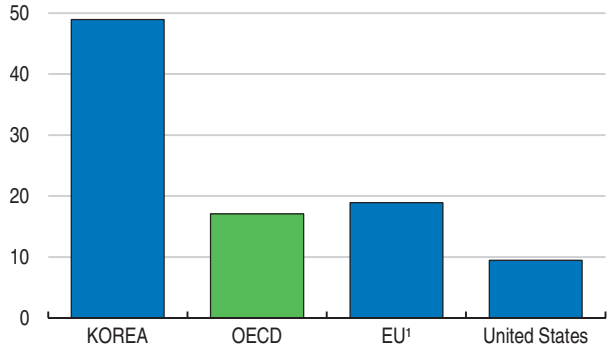
StatLink http://dx.doi.org/10.1787/888933455161

Policy indicators

A. Participation of women in the labour market is low, driving up wage inequality
Percentage



B. Producer support to agriculture is more than double the OECD average
Percentage of farm receipts, 2015



1. For this measure, EU refers to all 28 members of the European Union.

Source: Panel A: OECD, *Labour Force Statistics and Social Protection and Well-being Databases*; Panel B: OECD, *Producer and Consumer Support Estimates Database*.

StatLink http://dx.doi.org/10.1787/888933455624

KOREA

Actions taken: Access to free childcare was revised in 2016 to give priority to working mothers. Public childcare centres were provided with assistant teachers in 2015 and teacher training was reformed in 2016. To increase fathers' take-up of parental leave, the first three months of the leave taken by the second parent (typically the father) was set at 100% of wages up to a ceiling set at 45% of the average wage.

Recommendations: Enhance childcare quality by making accreditation mandatory and strengthening competition. Increase the take-up of maternity and parental leave systems by enforcing compliance and raising the benefit level for parental leave. Promote a workplace culture that supports work-life balance. Break down labour market dualism.

Reform EPL and tackle labour market dualism. Dualism drives inequality, given the large wage gaps between regular and non-regular workers, and reduces firm-based training of workers.

Actions taken: The 2015 Tripartite Agreement between management, labour and the government contains measures aimed at alleviating dualism. The government proposed an amendment to the labour law in 2015 that would allow fixed-term contracts to be extended by another two years for employees aged 35 or older. In 2015, 390 000 non-regular workers (6% of the total) were enrolled in the National Pension Scheme by their employers and two programmes were launched in 2016 to increase enrolment among workers with unstable employment status.

Recommendations: Break down dualism by relaxing employment protection for regular workers, in particular by simplifying and accelerating the remedy procedure for unfair dismissal and making it more transparent, by increasing the minimum wage and expanding social insurance coverage and training for non-regular workers.

Improve the efficiency of the tax system and strengthen the social safety net. The tax system can be made more growth-friendly, while social spending as a share of GDP is half of the OECD average.

Actions taken: The Customised Benefit System, which sets different eligibility criteria for livelihood, medical services, housing and education benefits under the Basic Livelihood Security Programme, was introduced in 2015 and eligibility criteria were relaxed. All self-employed workers were made eligible for the Earned Income Tax Credit.

Recommendations: Gradually raise tax rates to finance rising social spending, focusing on taxes with a less negative impact on growth, such as the VAT and environment-related taxes. In addition, higher taxes on property would reduce inequality. Focus the Basic Pension on the elderly with the lowest incomes to reduce the relative poverty rate for the population aged over 65 years, which is the highest in the OECD at 49.6%, and expand the coverage of the National Pension Scheme.

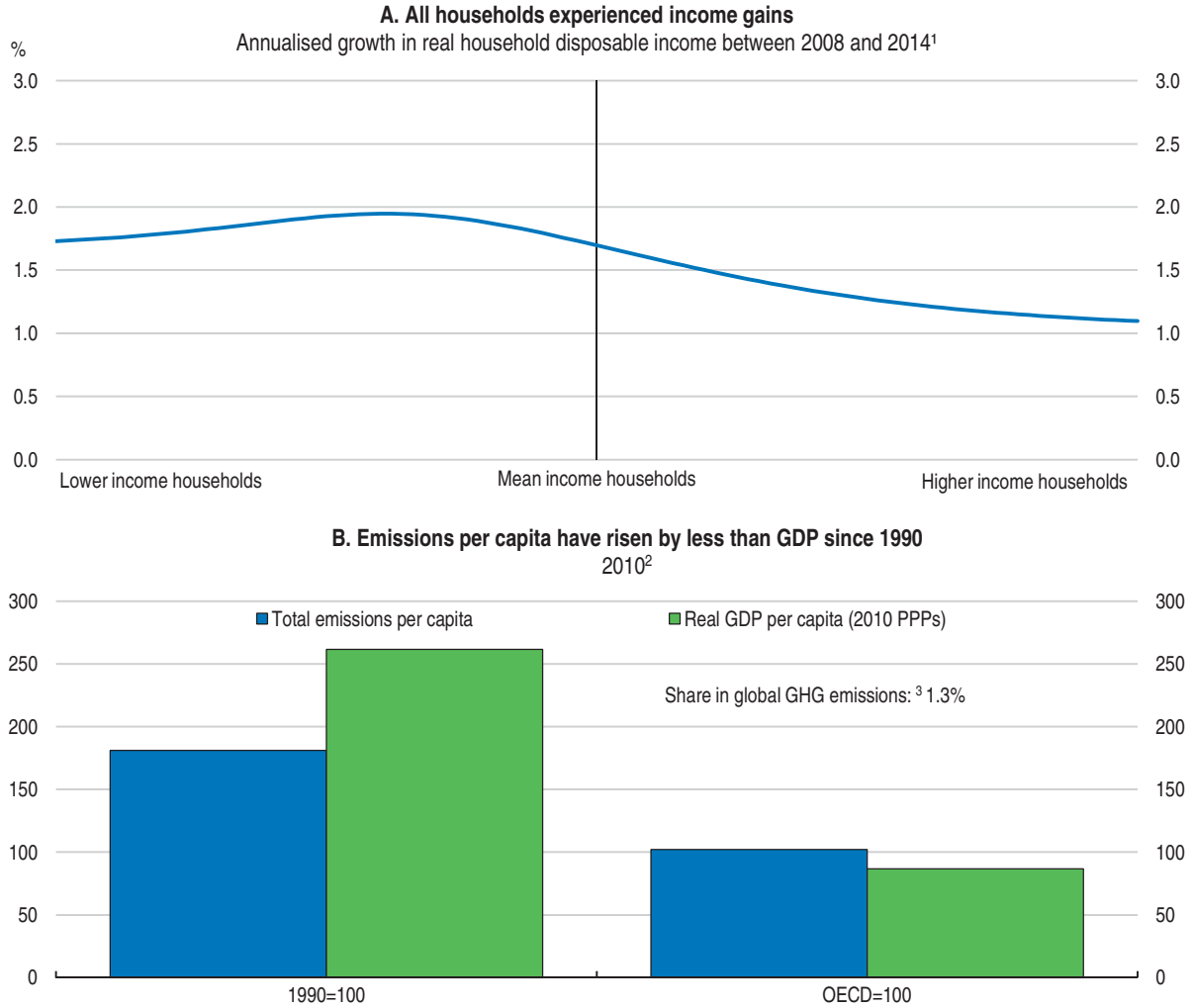
Reduce producer support to agriculture. High producer support, which is 2.5 times higher than the OECD average, imposes a large burden on consumers and distorts the structure of agriculture.

Actions taken: Korea introduced the system of tariffs for rice in 2015, under an agreement with the World Trade Organisation, setting the tariff at 513%. Korea signed free trade agreements with Canada, the People's Republic of China, New Zealand and Vietnam in 2015, and Columbia in 2016, which will gradually reduce barriers to agricultural imports.

KOREA

Recommendations: Further reduce barriers to agricultural imports and scale back the high level of support, while shifting its composition away from market price measures toward direct support.

Beyond GDP per capita: Other policy objectives



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2. Total GHG emissions in CO_2 equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933456086

LATVIA

- The gap in GDP per capita with respect to most advanced OECD countries remains large, reflecting a large productivity gap. Convergence in productivity is progressing but is slower than before the global economic crisis. Growth in labour utilisation has improved recently despite the emigration of youth, who tend to have a high labour participation rate.
- Income inequality is still among the highest in OECD countries but has declined somewhat recently. The income share of the poor has risen, albeit from a low level.
- Regarding past *Going for Growth* recommendations, the labour tax wedge on low-income earners has been reduced somewhat, which could encourage formal employment. However, progress is slow and is not associated with a much needed rebalancing of revenue sources from labour income taxes to property or environment-related taxes. Reforms of higher education and research are resulting in a consolidation of research institutions, quality-based financing models and incentives to boost research. Improving the R&D innovation framework is therefore no longer considered a *Going for Growth* priority.
- Further reducing the labour tax wedge, better targeting social benefits to poor households and boosting active labour market policies would increase employment and reduce the high poverty rate. Strengthening vocational training would ease skills shortages that are constraining productivity growth. Further reducing red tape, administrative burden and state involvement in business operations will spur entrepreneurship and investment, inducing a more robust productivity convergence.
- Aligning taxation of energy sources with their carbon content and abolishing subsidies on environmentally harmful activities would make room to lower the tax wedge, but also reduce Latvia's high energy consumption and greenhouse gas emissions.

Going for Growth 2017 priorities

Strengthen vocational education.[*1] Skill shortages are constraining employment and productivity growth.

Recommendations: Proceed with the reform of vocational education and training to increase the quality and relevance of skills. Expand work-placed learning by integrating the existing apprenticeship system in the formal education system and by establishing a legal framework regulating the relationship between employer and apprentices. Consider providing incentives to small firms providing work-placed learning. Encourage lifelong learning by improving information about training opportunities. Provide more support for minorities to acquire skills. Streamline policy responsibility for vocational schools and adult learning.

Reduce labour tax wedges and improve the efficiency of the tax system. The high labour tax wedge for low-income earners results in structural unemployment and informal employment and encourages emigration, while widespread tax evasion reduces the room for public expenditure to reduce poverty.

Actions taken: The personal income tax rate was reduced from 24% to 23% in 2015. The basic labour income tax allowance for those earning around the minimum wage will be gradually increased between 2016 and 2020. Taxes on CO_2 and small particle emissions

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

LATVIA

Growth performance and inequality indicators

A. Growth

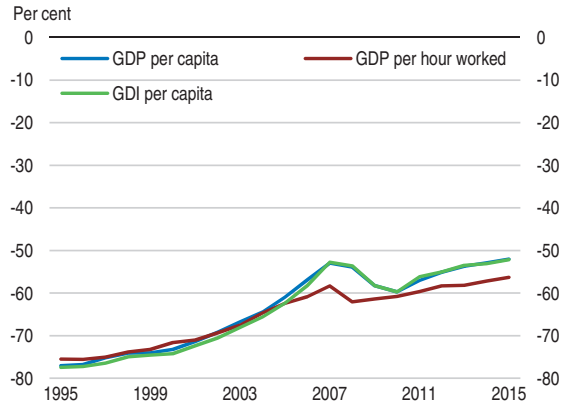
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		4.5	3.7
Labour utilisation		-0.1	1.7
of which:	Labour force participation rate	1.1	0.3
	Employment rate[1]	-1.1	1.5
	Employment coefficient[2]	0.0	-0.1
Labour productivity		4.4	2.6
of which:	Capital deepening	3.4	0.6
	Total factor productivity	0.9	2.1
Dependency ratio		0.2	-0.7

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	35.2 (31.7)*	-0.4 (0)*
Share of national disposable income held by the poorest 20%	6.6 (7.7)*	0.1 (0)*

** OECD average*

C. Convergence in GDP per capita has resumed
Gap to the upper half of OECD countries[4]



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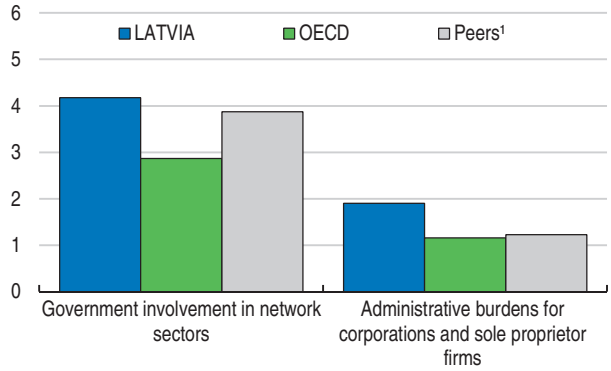
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

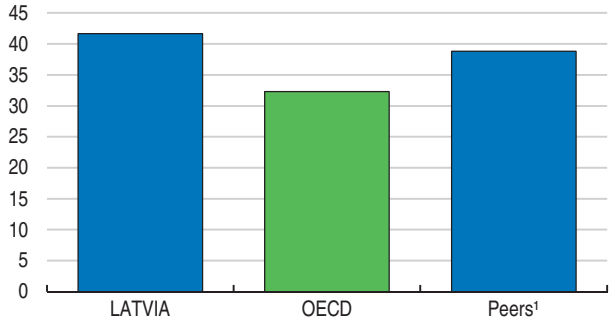
StatLink http://dx.doi.org/10.1787/888933455170

Policy indicators

A. State ownership is widespread and the regulatory burden is high
Index scale of 0-6 from least to most restrictive, 2013



B. Low-income earners face comparatively high labour tax wedge
Percentage of total labour compensation,[2] 2015



1. Average of the Czech Republic, Estonia, the Slovak Republic and Slovenia.
2. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. Single person at 67% of average earnings without children.

Source: Panel A: OECD, *Product Market Regulation Database*; Panel B: OECD, *Taxing wages Database*.

StatLink http://dx.doi.org/10.1787/888933455639

were increased in 2015. Tax allowances for the purchase and operating costs of company cars were reduced in 2016.

Recommendations: Further reduce the labour tax wedge for low-income earners. Increase revenue from property taxes. Align energy tax rates with the carbon content of energy sources and phase out environmentally harmful subsidies. Continue to strengthen revenue collection by simplifying tax compliance and allocating more resources to tax collection.

Strengthen social protection. Social benefits are low and not targeted to the poor. High long-term unemployment contributes to poverty. High out-of-pocket payments limit access to healthcare especially for the poor.

Actions taken: Individualised support for the long-term unemployed that include health assessment, consultation and career development was introduced in 2016. Additional spending (0.3% of GDP) to improve access to healthcare services has been included in the 2017 Budget.

Recommendations: Step up and target social benefits more strongly toward low-income households. Improve incentives for low-income workers to take-up a job by withdrawing benefits gradually. Raise government spending on active labour market policies (ALMPs). Improve collaboration between the public employment services and the municipalities which pay benefits to the long-term unemployed. Consider covering the cost of health services for vulnerable and low-income groups in full. Make the contracts of the National Health Service with providers more performance-driven.

Reduce regulatory burdens and state involvement in the economy. Red tape weighs on businesses and the large weight of State-owned Enterprises (SOEs) hinders competition and resource allocation, thereby slowing productivity growth.

Actions taken: Legislation implemented in 2015 reintroduced supervisory and management boards to the biggest SOEs, required annual reporting and established an entity co-ordinating the management of state-owned enterprises.

Recommendations: Strengthen financial and administrative independence of the Competition Council. Further improve corporate governance of all state-owned enterprises in line with the OECD Guidelines on Corporate Governance of State-Owned Enterprises. Ensure a level-playing field for incumbents and market entrants in network industries. Simplify the permits and licences system and reduce the complexity of regulatory procedures. Reduce regulatory barriers to entry for pharmacies and abolish compulsory chamber membership in professional services.

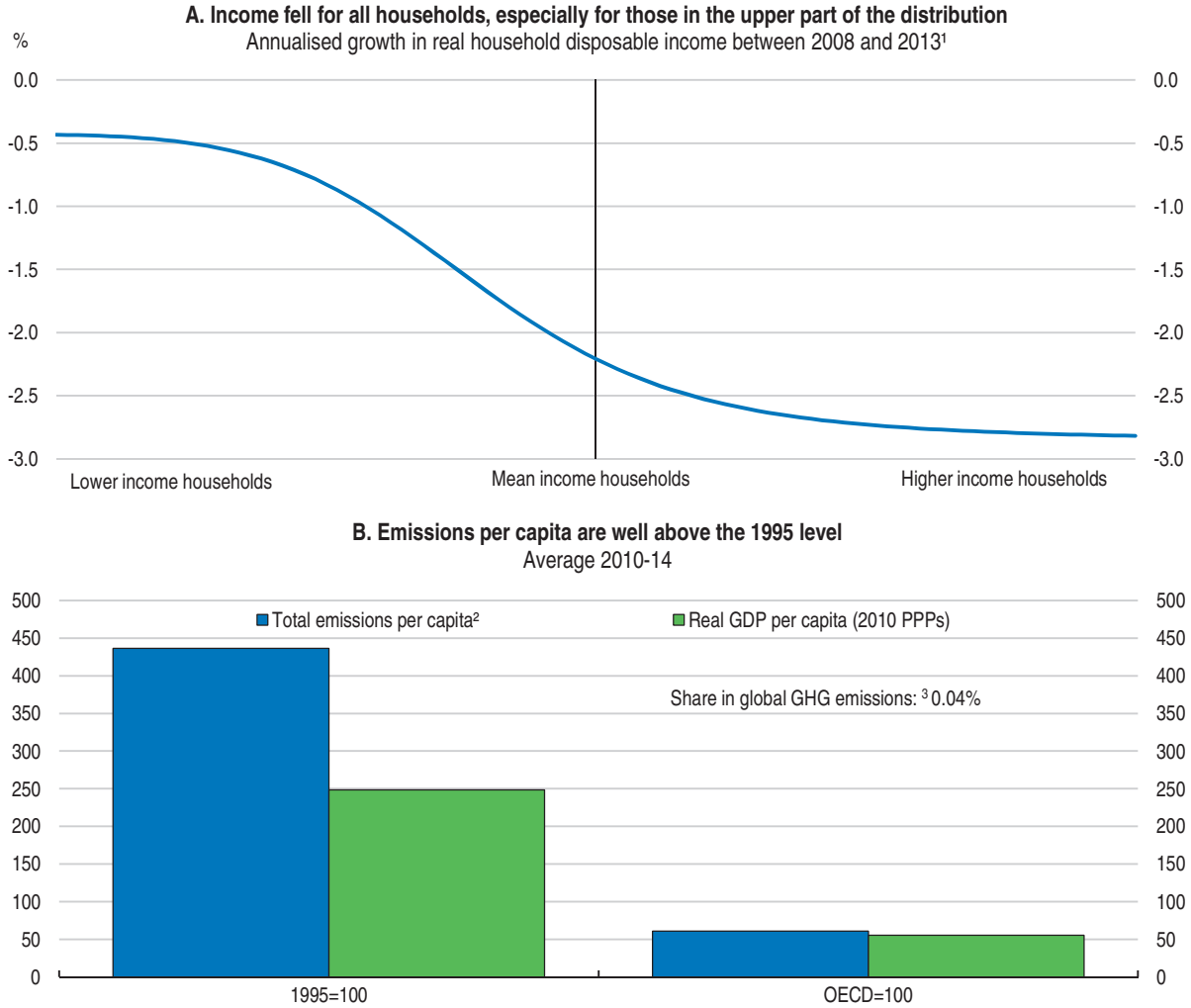
Strengthen infrastructure. Energy, road and port infrastructure are underdeveloped, isolating Latvia from the EU electricity markets and constraining productivity growth and regional development.

Actions taken: A Memorandum of Understanding was signed on June 2015 which includes synchronisation of the electricity grid with the European networks by 2025. An agreement on the first stage of the high-speed railway construction project which will connect Baltic countries to European networks was signed in 2015.

Recommendations: Further increase the connectivity to EU electric network. Enhance the quality of transport infrastructure, especially on roads. Promote port efficiency, including by enhancing management transparency and facilitating private investment.

LATVIA

Beyond GDP per capita: Other policy objectives



1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2008 and 2013. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
2. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

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LITHUANIA[1]

- The gap in GDP per capita relative to the most advanced OECD countries is gradually narrowing but remains large. Labour utilisation has improved while labour productivity growth has been rapid, following Lithuania's entry into the Eurozone and successive growth-enhancing reforms in domestic product markets.
- Inequality is high by OECD standards but has slightly decreased in the five years after the financial crisis. The poverty rate is one of the highest among European countries. Child poverty and individuals' health status remain strongly dependent on socio-economic background and there is a risk of a vicious circle linking socio-economic backgrounds, economic opportunities and life expectancy.
- Policy reforms could put Lithuania on a stronger and more inclusive growth path. Measures that reduce the high tax wedge and strengthen active labour market programmes can help support employment growth. At the same time, improvements in the quality of education are needed to ensure that employers can find workers with the right skills. Inclusive growth can also be fostered by improvements in the governance of state-owned enterprises and measures to reduce the poverty rate, such as the expansion of unemployment benefits and improved efficiency and effectiveness of the health system.
- New spending for health and education can be enabled by higher taxation of activities that are harmful to the environment. Lithuania has no car tax or road-user charges for passenger cars, and taxes on motor fuels and fuel used for heating are among the lowest in the European Union.

Going for Growth 2017 priorities

Reduce the tax wedge for low-paid workers. The unemployment rate is particularly high for low-paid workers. Employer social security contributions accounted for 58% of the tax wedge in 2014, compared to 39% on average in OECD countries.

Recommendations: Employer social security contributions for low-paid workers should be lowered. The coverage of in-work benefits for social assistance recipients who take a low-paid job should be increased to raise the incentive to work and increase incomes at the lower end of the distribution.

Strengthen activation and extend unemployment benefits. Spending on active labour market policies as a share of GDP is currently below the OECD average. Labour market matching is poor, evidenced by Lithuania's high structural unemployment rate which is estimated to exceed 10%.

Recommendations: Bolster active labour market programmes, the capacities of public employment services and unemployment benefits. Such reforms will be particularly important once planned reforms to relax employment protection legislation come into effect. The resources of public employment services, which are currently understaffed, should be increased. Expand the coverage and generosity of unemployment benefits to enhance the job search capacity of the unemployed.

Ensure that workers acquire job-relevant skills. A high proportion of Lithuanian firms cite an inadequately educated workforce as a significant obstacle to growth. The participation rate in pre-primary education is below the OECD average.

1. Since this country is covered for the first time in *Going for Growth*, structural reform priorities are all new by definition, which implies that there is no follow-up on actions taken on those priorities

LITHUANIA

Growth performance and inequality indicators

A. Growth

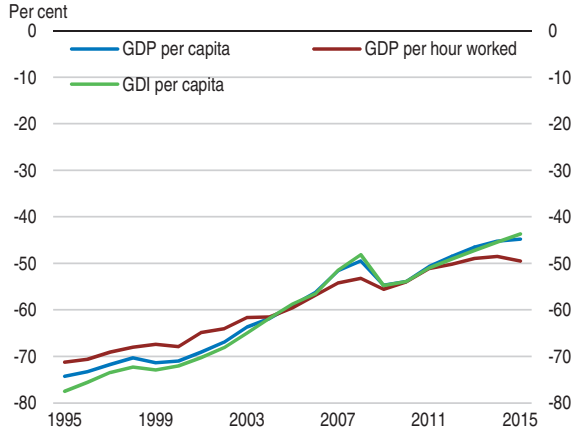
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		4.4	4.8
Labour utilisation		-0.3	2.1
of which:	Labour force participation rate	-0.3	1.1
	Employment rate[1]	-0.3	0.9
	Employment coefficient[2]	0.2	0.1
Labour productivity		4.4	3.2
of which:	Capital deepening	2.1	-0.2
	Total factor productivity	2.3	3.4
Dependency ratio		0.3	-0.4

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	35.3 (31.7)*	-0.1 (0)*
Share of national disposable income held by the poorest 20%	6.8 (7.7)*	0 (0)*

** OECD average*

C. Convergence in GDP per capita has resumed
Gap to the upper half of OECD countries[4]



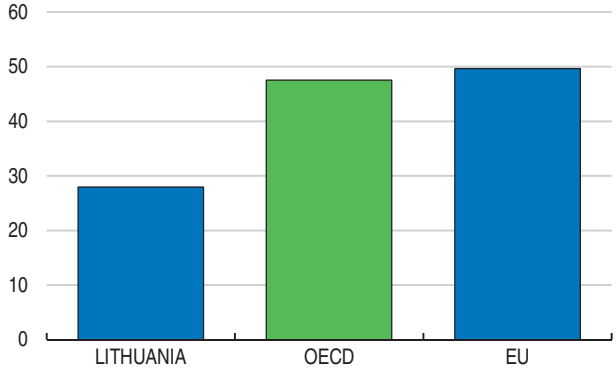
1. Labour utilisation is defined as the ratio of total employment over population.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*; World Bank, *World Development Indicators (WDI) Database*.

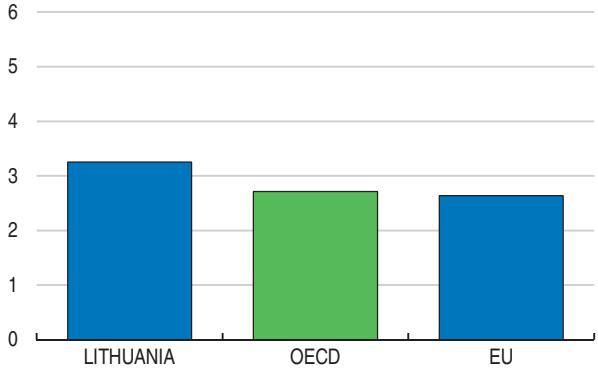
StatLink http://dx.doi.org/10.1787/888933455185

Policy indicators

A. The unemployment system is underdeveloped
Net income when unemployed, % of net income when working[1], 2014



B. Public ownership is pervasive
Index scale of 0-6 from least to most restrictive, 2013



1. Simple average of the net replacement rates for the following households situations: single with no child and with two children at 67% and 100% AW, one-earner married couple with no child and with two children at 67% AW and 100% AW. After tax and including unemployment benefits, social assistance, family and housing benefits in the 60th month of benefit receipt.

Source: Panel A: OECD, Tax-Benefit Models; Panel B: OECD, *Product Market Regulation Database*.

StatLink http://dx.doi.org/10.1787/888933455646

LITHUANIA

Recommendations: Increase the role of workplace training so qualifications better match labour market needs. Introduce more teacher development programmes to attract higher-performing graduates to the teaching profession. Better enforce the participation of pre-primary students in education.

Improve SOEs governance. Many state-owned enterprises perform poorly, with return on equity well below the target set by the government.

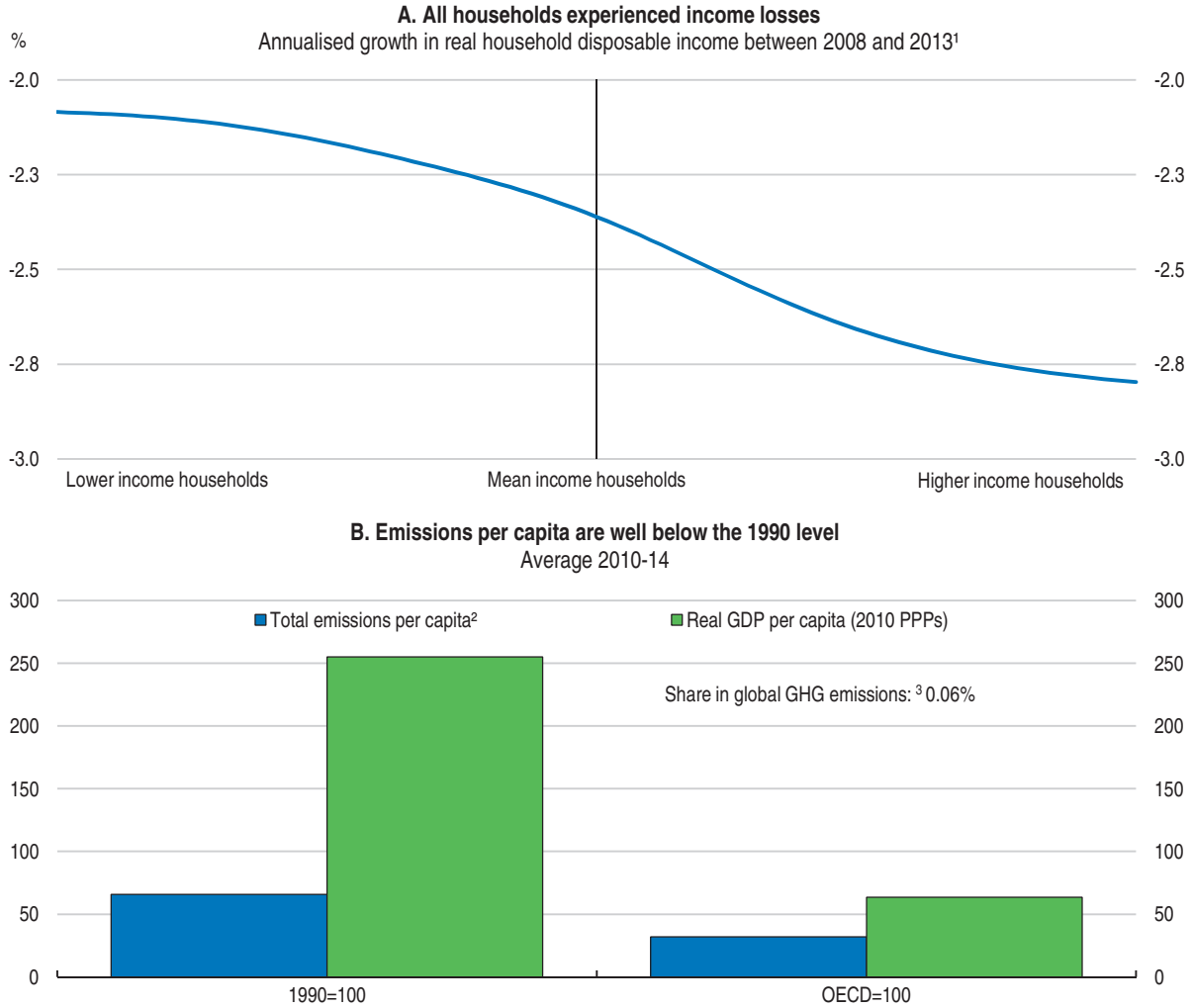
Recommendations: Improve corporate governance of SOEs to enhance their productivity. Ensure that the ownership and regulatory functions of SOEs are not performed by the same government ministry. Increase the proportion of independent non-executive board members on SOE boards.

Improve effectiveness and efficiency of the health system. Life expectancy is around six years below the OECD average and disparities in health status between urban and rural areas are large.

Recommendations: Promote healthy lifestyles and primary care services, especially in rural areas. Improve prevention policies and out-patient care by general practitioners, nurses and the recently established network of public health bureaus. Promote generic drugs to reduce currently large out-of pocket payments for pharmaceutical products.

LITHUANIA

Beyond GDP per capita: Other policy objectives



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Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933456107

LUXEMBOURG

- GDP per capita still exceeds that of advanced OECD countries by almost 50%, but the gap has been narrowing in the wake of the global financial crisis. This has been mainly due to a smaller positive gap in labour productivity. In absolute terms, labour utilisation remained flat and labour productivity weak since 2009, reflecting, in the former case, higher structural unemployment.
- Between 2008 and 2013, overall income inequality, as measured by the Gini coefficient, decreased by 0.2 percentage points per year, but the situation of the poorest segments of the population did not improve.
- Progress in addressing past priorities identified in *Going for Growth* has been achieved, in the area of active labour market policies, with the implementation of the Youth Guarantee and the public employment service reform, and, to a lesser extent, with the reclassification of workers with disabilities and reduction of early retirement. Although additional policy action in this area is warranted, reforming job protection legislation is viewed as less important than taking action to better anticipate and improve the ability to cope with the evolution of future skill needs. Thus, it no longer features among the five *Going for Growth* policy priorities. The affordability of housing for low-income households has improved, but more needs to be done. No action has been taken to reduce the restrictions related to retail establishment and access to regulated professions.
- Improvements in the education system and the quality of vocational training would help spur innovation, and hence productivity growth. Improved competition in the non-financial services sector is essential to the diversification of the economy and to medium-term improvements in productivity and growth. Competition-enhancing product market reforms, especially in professional services and retail, would help maintain competitiveness and create new jobs. In addition to improving work incentives, more targeted social benefits would help to better focus support towards low-income families, thus reducing inequality and poverty. Improved housing supply in urban areas would alleviate the transport-related emissions and congestion caused by cross-border workers.

Going for Growth 2017 priorities

Improve the ability to respond to future skill needs.[*1] Skill shortages and mismatches limit labour productivity growth and constrain firms' ability to innovate.

Recommendations: Reduce grade repetition in secondary education, provide more school autonomy and better monitor education quality. Improve the quality and accessibility of vocational training. Enhance the apprenticeship system to reduce structural unemployment and address skill mismatches. Give more prominence in school curricula to economics-related education and improve the perception of entrepreneurship as a desirable career choice. Strengthen the co-operation between enterprises and research institutions in Luxembourg and abroad.

Facilitate labour market participation of women and older workers. Reducing disincentives for labour market participation can increase labour supply and therefore economic growth.

Actions taken: Personalised support for job seekers by the public employment service (ADEM) has been up-scaled in 2015. A law on the reclassification of workers with disabilities introduced more stringent medical checks of new and existing cases in 2016, therefore reducing the number of long-term unemployed and people entering early retirement

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

LUXEMBOURG

Growth performance and inequality indicators

A. Growth

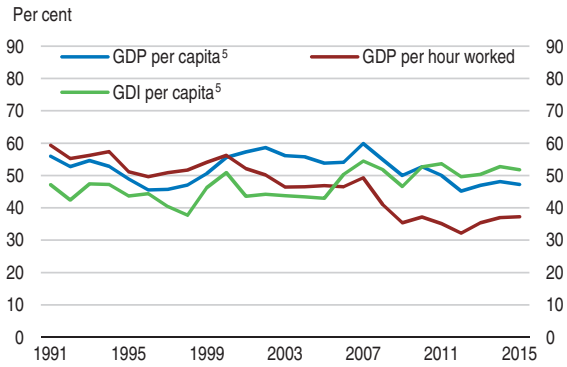
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		0.7	1.1
Labour utilisation		1.5	0.0
of which:	Labour force participation rate	0.3	0.0
	Employment rate[1]	-0.4	-0.2
	Employment coefficient[2]	1.5	0.2
Labour productivity		-0.8	1.0
of which:	Capital deepening	0.6	-0.2
	Total factor productivity	-1.4	1.2
Dependency ratio		0.0	0.1

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	28.1 (31.7)*	-0.2 (0)*
Share of national disposable income held by the poorest 20%	8.7 (7.7)*	0 (0)*

** OECD average*

C. Average income and productivity levels remain well above the average of leading countries
Gap to the upper half of OECD countries[4]



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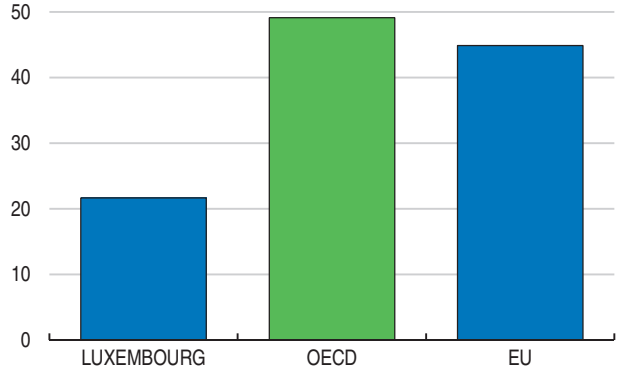
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).
5. The population is augmented by the number of cross-border workers in order to take into account their contribution to GDP.

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

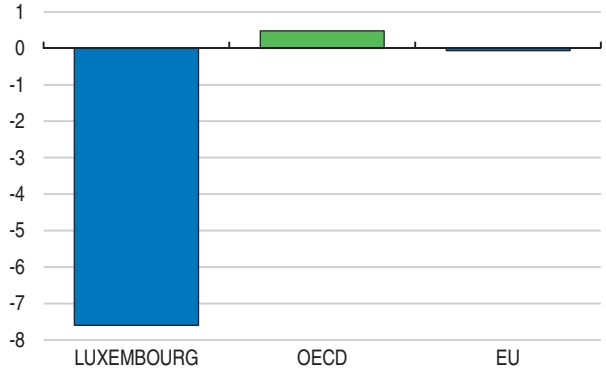
StatLink http://dx.doi.org/10.1787/888933455191

Policy indicators

A. Graduation rate in tertiary education is low
First-time graduation rates, 2014



B. There are strong disincentives to work at older age
Changes in net pension wealth,[1] 2012



1. Measured as the increase in the level of pension entitlement one gains by remaining in employment for an additional year. The calculation is the annual average increase in males' pension wealth when working from age 60 to 64 (old-age pension). Net pension wealth is the present value of the flow of pension benefits, taking account of the taxes and social security contributions that retirees have to pay on their pensions. It is measured and expressed as a multiple of gross annual individual earnings in the respective country. See OECD (2013), Pensions at a Glance 2013: OECD and G20 Indicators for additional details.

Source: Panel A: OECD, *Education at a Glance 2016: OECD Indicators*; *Database*; Panel B: OECD, *Pension Models*.

StatLink http://dx.doi.org/10.1787/888933455659

through disability. Provisions for parental leave were modified in 2016 to promote reconciliation between professional and family responsibilities.

Recommendations: Reduce disincentives for labour force participation of women by charging health care contributions for each spouse individually and introducing separate income tax assessment of spouses. Increase enrolment in early childhood education, especially of low-income and foreign-language families. Abolish early retirement schemes so as to raise the effective retirement age. A new pension reform should include limited credits for time spent outside work, actuarial neutrality around the statutory retirement age and indexation of the latter to longevity.

Reform the social benefit system. High marginal effective tax rates associated with the design of social benefits discourage work.

Actions taken: The public employment service is implementing the Youth Guarantee programme while paying special attention to language skills support, in strong co-operation with the vocational education and training system. Employers offer additional positions to apprentices in the Jobelo programme targeting unskilled young people (2015).

Recommendations: Lower unemployment benefit replacement rates and make them decline progressively throughout the entitlement period. Tighten eligibility conditions for young people without work histories. Reform the minimum income scheme (RMG) to reduce marginal effective tax rates. Make parts of the social benefit system that rely on universal payments means-tested or otherwise targeted.

Increase competition in the non-financial services sector. Restrictive regulations hinder competition and hence investment and productivity growth.

Actions taken: No action taken.

Recommendations: Remove regulatory restrictions in retail establishment and business services, such as restrictions on advertising for doctors, lawyers and architects, and facilitate co-operation between professions. Review the necessity and proportionality of restrictions on the access and conduct of regulated professions. Make shop opening hours more flexible.

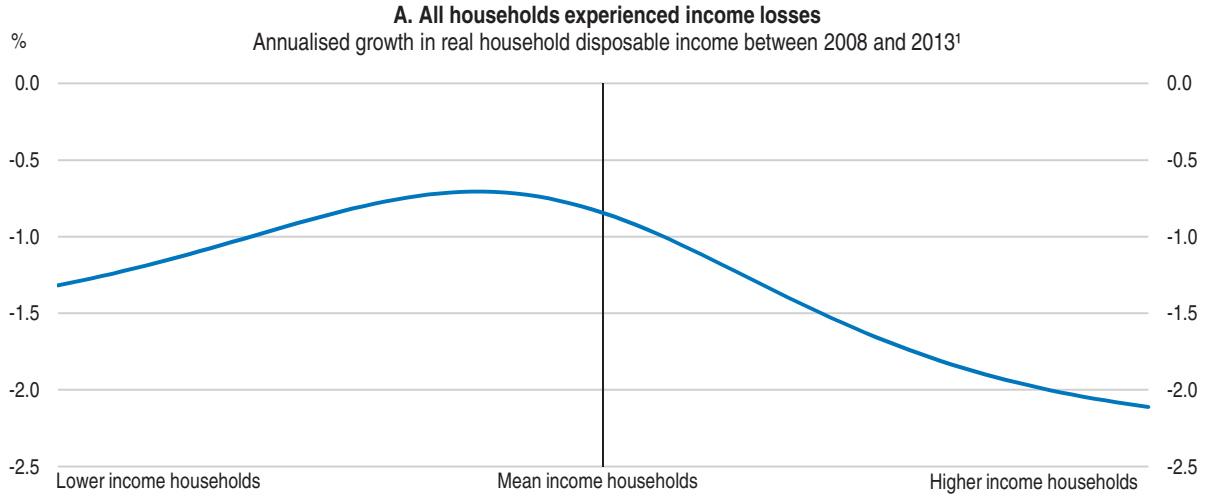
Improve the functioning of the housing market. Better supply of housing is needed to meet the projected increase in population.

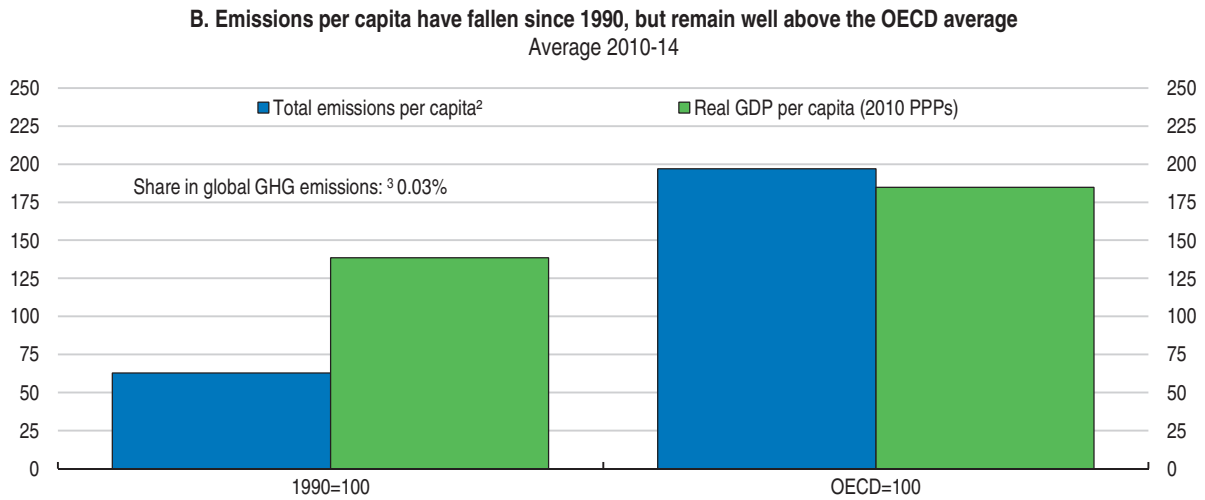
Actions taken: The authorities have introduced a new subsidy for low-income households renting on the private market in 2016, and also re-started a social housing construction programme involving municipalities, public promoters and private associations and foundations.

Recommendations: Increase housing supply by improving availability of land for new construction and speeding up procedures for granting construction permits. Increase the supply of social housing at affordable prices. Raise property taxes by updating property values used as a tax base. Reduce implicit tax subsidies to home ownership and incentives to hoard building plots.

LUXEMBOURG

Beyond GDP per capita: Other policy objectives





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StatLink http://dx.doi.org/10.1787/888933456110

MEXICO

- The persistently wide gap in GDP per capita relative to the most advanced OECD countries is driven primarily by the low level and growth rate of labour productivity. Total factor productivity growth was negative for some years after the financial crisis, but is showing signs of a pick-up following the recent reforms.
- Inequality has remained among the highest in OECD countries, due in particular to high poverty prevalence.
- Mexico has rolled out major macroeconomic and structural reforms in recent years that have led to important progress across a range of areas. Key laws and constitutional amendments were approved, and secondary laws or regulations passed. Progress has been made to make sectors such as energy and telecoms more open to competition. Institutional designs have been improved with the new Productivity Commission, a strengthened competition authority, and expanded sectoral regulators. Initial progress has been made with education and social benefits, although parts of this plan have run into difficulties.
- With very limited productivity gains over the recent years, it is essential to boost absorptive capacity in order to benefit from knowledge spillovers. Raising educational achievement, further reducing barriers to FDI and start-ups and strengthening innovation policies are needed to boost labour productivity and reduce inequalities. Full implementation of the reform package is essential, and a renewed push to boost anti-corruption efforts and to fight informality will help to make growth more inclusive.

Going for Growth 2017 priorities

Raise education achievement. Low levels of equity and efficiency in education hamper productivity and increase income inequality.

Actions taken: The education reform includes a legal framework for the professional development of teachers, principals and supervisors, and mandates a National Evaluation System, which is now in effect. Teacher evaluations have been performed in most states and they were made mandatory in 2016. New programmes were introduced in 2015 to improve school infrastructure, including through the introduction of Educational Infrastructure Certificates.

Recommendations: Improve both equity and efficiency by refocusing spending on pre-primary, primary and secondary education. Increase professionalisation of the education system, through teacher training programmes and merit-based organisational schemes, as a way to improve the quality of education.

Improve the rule of law. Weaknesses in the legal system hurt the efficacy of contracts and the security of property rights, reducing firms' investment.

Actions taken: Judicial reform has made rapid progress, meeting a 2016 deadline for implementation of the criminal justice reforms to use oral trials. Most states have also begun to implement the new oral trials in commercial disputes, although only for larger cases so far. A new anti-corruption system has been adopted, and state-level systems are being set up.

Recommendations: Enact and implement a second wave of legal reform to civil and commercial justice. Pursue the transition from written to oral trials to improve the outcomes of economic disputes, such as those related to contract enforcement. Complete the setup of anti-corruption systems at the state level, in particular to improve the consistency with which regulations are applied.

MEXICO

Growth performance and inequality indicators

A. Growth

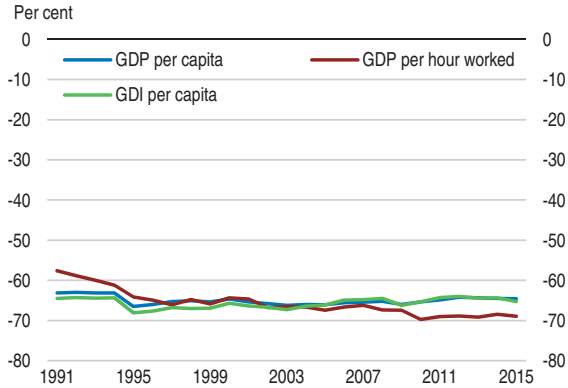
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		0.7	2.0
Labour utilisation		-0.4	0.5
of which:	Labour force participation rate	0.0	-0.5
	Employment rate[1]	-0.4	0.2
	Employment coefficient[2]	0.0	0.8
Labour productivity		0.2	0.6
of which:	Capital deepening	1.0	0.0
	Total factor productivity	-0.7	0.6
Dependency ratio		0.8	0.9

B. Inequality

	Level	Annual variation (percentage points)
	2014	2008-14
Gini coefficient[3]	45.9 (31.7)*	0.1 (0)*
Share of national disposable income held by the poorest 20%	5 (7.7)*	0.1 (0)*

** OECD average*

C. Gaps in GDP per capita and productivity are wide and persistent
Gap to the upper half of OECD countries[4]



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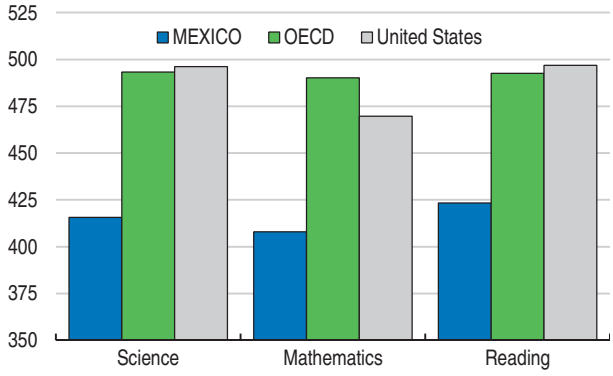
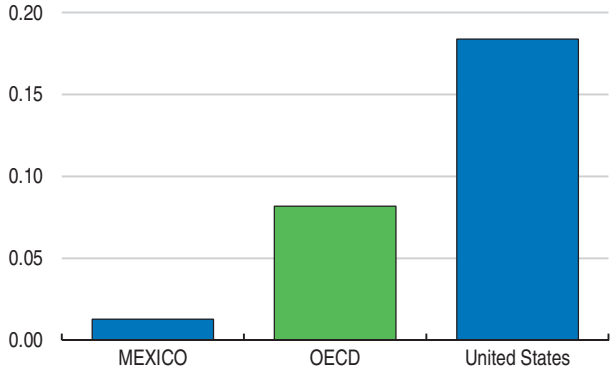
StatLink http://dx.doi.org/10.1787/888933455202

Policy indicators

A. Educational outcomes are weak
Mean PISA scores, 2015



B. Direct public funding of business R&D is comparatively low
2012-14[1]



1. Data refer to 2011 for Mexico and to 2012-13 for the United States.

Source: Panel A: OECD, *PISA Database*; Panel B: OECD, *Science and Technology Indicators Database*.

StatLink http://dx.doi.org/10.1787/888933455664

MEXICO

Reduce barriers to foreign direct investment. Barriers to foreign direct investment (FDI) in services and infrastructure are among the more stringent in the OECD, harming knowledge diffusion and hampering the capacity of Mexico to improve its position in global value chains.

Actions taken: Selected network industries (i.e., broadcasting and telecommunications) and the energy sector have been substantially opened to FDI in recent years.

Recommendations: Continue to lift FDI restrictions in key sectors, such as transport and banking. Improve the business climate to attract FDI in services, in part by enhancing the transparency of regulatory policies.

Reduce barriers to entry and competition. Anti-competitive product market regulation hampers productivity by limiting new entry. Costly registration procedures in many localities and lack of contestability remain detrimental to competition and productivity.

Actions taken: Regulations in the energy sector have been revamped, making private participation easier. A framework for developing Special Economic Zones (SEZs) was ratified in 2016, to start in 2017.

Recommendations: Facilitate and support firm entry. Ease entry regulations in professional services and licensing requirements in retail trade to foster formal employment.

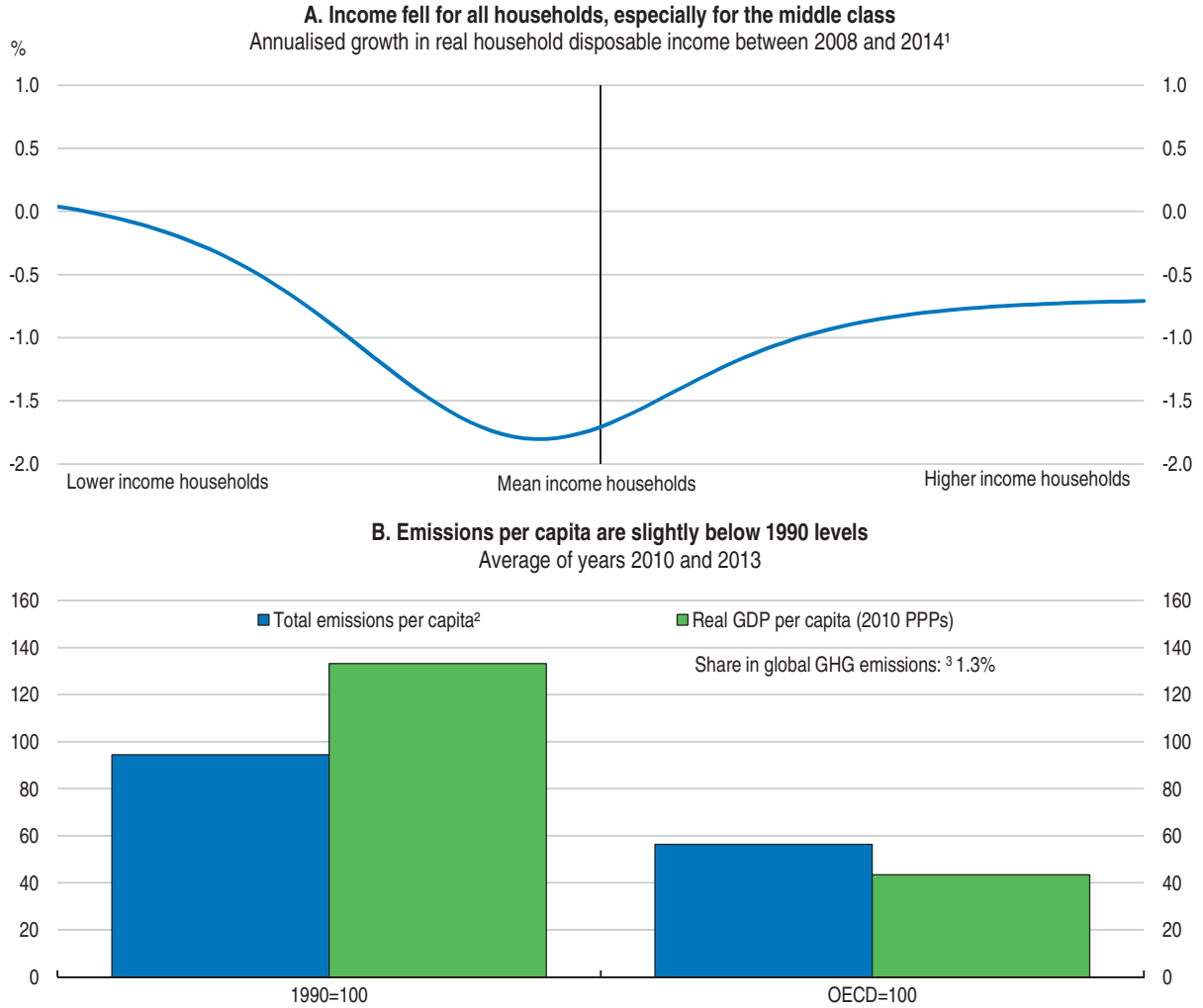
Strengthen innovation policies. Innovation spending is well below the upper half of OECD countries, limiting absorptive capacity, hampering productivity growth and contributing to limited catch-up.

Actions taken: A new R&D tax credit regime was introduced in the 2017 budget. Measures were also taken in 2016 to promote collaborations between academic and industrial chambers.

Recommendations: Promote early-stage financing and industry co-operation with research institutes by strengthening industry networks, particularly through facilitation of clusters. Create public programmes promoting innovation in local firms and linkages with foreign affiliates.

MEXICO

Beyond GDP per capita: Other policy objectives



1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2008 and 2014. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
2. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts, Energy (IEA) and Greenhouse gas emissions Databases*.

StatLink http://dx.doi.org/10.1787/888933456122

NETHERLANDS

- Since 2009, hourly productivity has grown less than in the most advanced OECD countries, causing GDP per capita to fall behind.
- Income inequality is below the OECD average and has fallen further in recent years although the crisis negatively affected disposable incomes of the poorest somewhat more than average incomes.
- The tax stimulus of early 2016 supports employment, in particular among low-income earners and women. Employment protection legislation of regular contracts has been eased somewhat, in line with past *Going for Growth* recommendations, but an agreement among the social partners offsets the gradual reduction in the legal duration of unemployment benefits. Some welcome steps have been taken to reduce the stringency of rent regulation. Considerable progress has been made in reducing the share of the working-age population receiving disability benefits, and further reform in this area is no longer a *Going for Growth* priority.
- Further reforms to improve the functioning of the labour market are needed. Work incentives of low-income households, second earners and the unemployed should be strengthened through a lower marginal effective tax rate and targeted active labour market policies. Raising the scope of the unregulated rental market would strengthen housing investment and boost labour mobility. Stepping up direct public support for research and development would help to raise innovation and hence productivity.

Going for Growth 2017 priorities

Lower marginal effective tax rates on labour income. High marginal effective tax rates hinder work incentives of low-income households and second-income earners.

Actions taken: As part of a stimulus package in early 2016, income tax rates have been reduced, and the effective tax rates on labour income fell even further, as the tax credit for employed persons was raised while the phasing out of the general tax credit was accelerated. A higher childcare subsidy and a lower effective tax rate on second earners with young children were introduced in 2016 to support women's participation in paid work. Labour costs for employers will be lowered from 2017 onwards for workers with incomes at or just above the minimum wage.

Recommendations: Continue to lower marginal effective tax rates on labour income, in particular for low-income earners, and phase out the transferability of the individual tax credit more rapidly. Increase reduced value-added tax rates to finance lower labour taxes.

Ease employment protection legislation for regular contracts and duality with the self-employed. The stringent employment protection legislation reduces the prevalence of permanent contracts and, together with tax incentives, pushes workers towards self-employment.

Actions taken: In July 2015, the maximum duration of consecutive temporary contracts with the same employer has been shortened from 3 to 2 years, and 6 months instead of 3 will now have to pass before the beginning of a new contract. Dismissal procedures of regular contracts have been somewhat simplified since July 2015.

Recommendations: Continue to lower the cap on severance payments and ensure that the dismissal system works efficiently to further narrow the difference between permanent and temporary contracts. Reconsider the degree of tax incentives for self-employed, and

NETHERLANDS

Growth performance and inequality indicators

A. Growth

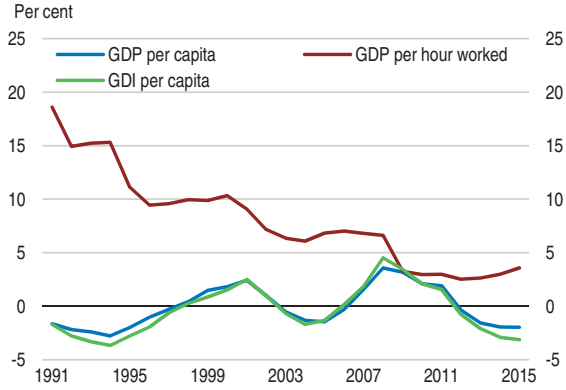
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		1.2	0.5
Labour utilisation		0.5	-0.5
of which:	Labour force participation rate	0.8	-0.1
	Employment rate[1]	0.1	-0.4
	Employment coefficient[2]	-0.3	0.1
Labour productivity		0.6	0.9
of which:	Capital deepening	0.4	0.3
	Total factor productivity	0.2	0.7
Dependency ratio		0.0	0.0

B. Inequality

	Level	Annual variation (percentage points)
	2014	2008-14
Gini coefficient[3]	28.3 (31.7)*	-0.1 (0)*
Share of national disposable income held by the poorest 20%	8.6 (7.7)*	0 (0)*

** OECD average*

C. GDP per capita is close to the average of advanced OECD countries
Gap to the upper half of OECD countries[4]



1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

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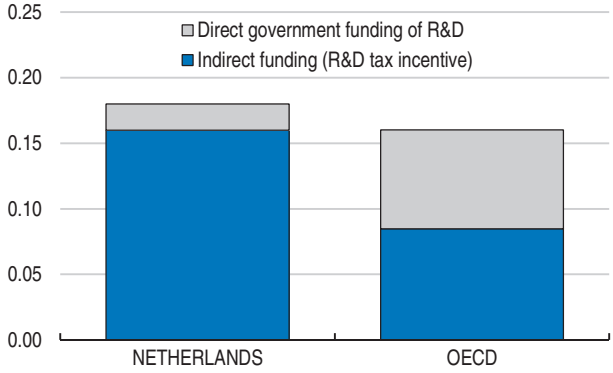
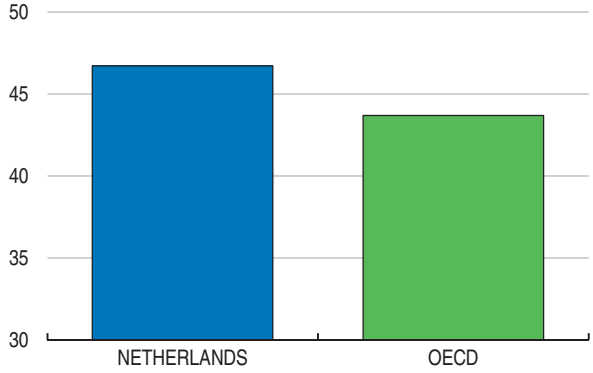
Policy indicators

A. Support for business R&D is skewed towards tax incentives
Percentage of GDP, 2014



B. Marginal labour tax wedges are relatively high
Percentage of total labour compensation,[1] 2015



1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. Marginal labour tax wedge for a couple with two children with the first earner at 100% and the second earner at 67% of average earnings.

Source: Panel A: OECD, *R&D Tax Incentives Database*, *www.oecd.org/sti/rd-tax-stats.htm*, December 2016; Panel B: OECD, *Taxing wages Database*.

StatLink http://dx.doi.org/10.1787/888933455675

ensure that they are sufficiently insured against disability and have adequate pension savings.

Reform the unemployment benefit system and strengthen active labour market policies. The high level and duration of unemployment benefits reduce job-search incentives, while public employment services play a limited role.

Actions taken: Social partners agreed to share the costs of unemployment benefits during the third year of unemployment, which offsets the gradual reduction in the legal duration from 3 to 2 years that started in 2016. Retraining possibilities for the unemployed have been stepped up since March 2015 to improve job transition.

Recommendations: Lower the cap on unemployment benefits to further enhance job-search incentives for the high skilled. Target re-integration services through public employment services from the beginning of the unemployment spell onwards to those most in need, instead of waiting 3 months. Enhance performance management and the evaluation of instruments to ensure that interventions are cost-effective.

Increase the scope of the unregulated part of the housing market. The rigid housing market hinders labour mobility, generating congestion and hampering housing investment and productivity.

Actions taken: Since October 2015, the property value partly determines the maximum initial rent, which increases financial incentives for private landlords to undertake investments. The 2015 Housing Law requires that housing corporations separate administratively or legally commercial activities from the provision of social housing as of January 2017, which creates a more even playing field for the unregulated rental sector.

Recommendations: Support the supply of rental housing by further limiting strict rent regulation in the private market and increasing the weight of the property value in setting the maximum initial rent. In social housing, introduce tighter income conditions for eligibility. Accelerate the reduction of mortgage interest relief and lower the maximum loan-to-value ratio of new mortgages significantly below 100%.

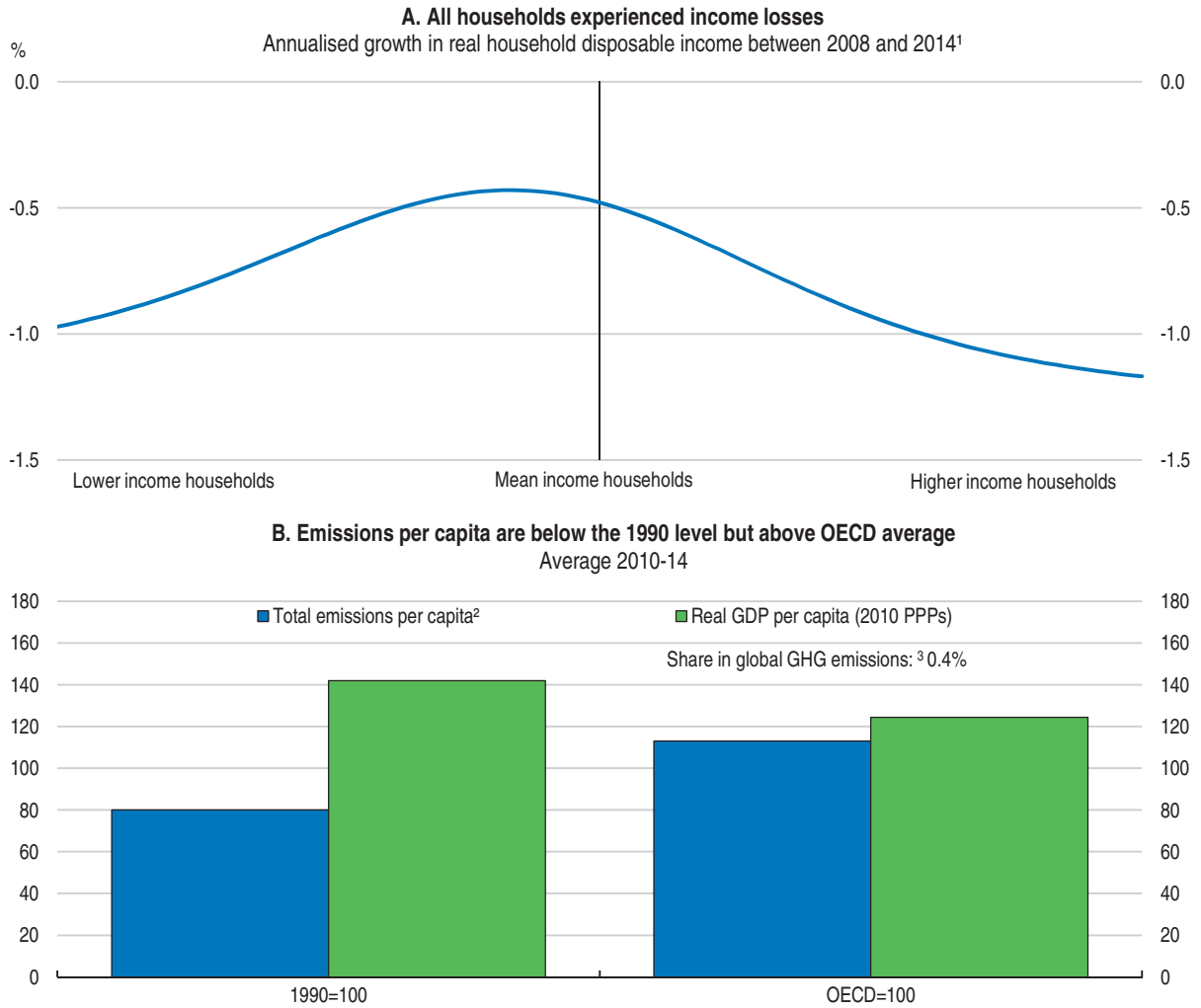
Increase direct public support for R&D.[*1] Private spending on R&D is low, and public support is skewed towards tax incentives.

Recommendations: Complement the well-designed tax incentives with more direct funding such as grants, loans and procurement to cater better for the various needs of businesses in different sectors and stages of development, and to leverage private sector innovation in promising sectors and potentially "disruptive" technologies.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

NETHERLANDS

Beyond GDP per capita: Other policy objectives



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Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

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NEW ZEALAND

- GDP per capita is 27% below the average of the most advanced OECD countries, reflecting an even larger shortfall in labour productivity. The GDP per capita gap has declined somewhat over the past quarter century while the labour productivity gap has continued to widen.
- Income inequality has edged up since the crisis, in contrast to the OECD average, which has remained unchanged. The poorest 20% of society's share of disposable income has remained unchanged at a slightly lower level than the OECD average.
- To improve teaching quality, collaboration between teachers, principals and schools is being strengthened and teacher professional learning and development is being enhanced, especially for teachers in schools with less than expected achievement levels. While some administrative barriers to trade have been reduced, many aspects of trade facilitation remain below best performance. To encourage innovation, public funding for business R&D is being increased.
- Making the FDI screening process more transparent and facilitating trade could help better integrate domestic firms into global supply chains, increasing productivity. Reducing the scope for vested interests to thwart land rezoning and development that is in the public interest would result in greater agglomeration economies and housing affordability, which would disproportionately benefit lower-income households. Inequality, especially inferior school outcomes for Maori and Pasifika, would also be reduced through better targeting of early childhood education on groups with low participation, greater school accountability and improved school-to-work transitions. Improving health-care efficiency and encouraging the adoption of healthier lifestyles would both increase productivity and reduce inequalities in health outcomes. Increasing policy support for business R&D could boost innovation.
- Congestion charges on urban roads would reduce congestion and pollution and provide funds for improving public transit, giving commuters more attractive and sustainable alternatives to private cars.

Going for Growth 2017 priorities

Reduce barriers to FDI and trade and to competition in network sectors. Non-transparent FDI screening, barriers to trade facilitation and to competition in network sectors deter investment and innovation.

Actions taken: There have been improvements in aspects of trade facilitation, but many remain below best practice.

Recommendations: Ease FDI screening requirements, clarify criteria for meeting the net national benefit test and remove ministerial discretion in their application. Encourage more extensive use of advance rulings on imports and improve the publication and dissemination of trade information. Sell remaining government shareholdings in electricity generators and Air New Zealand. Remove legal exemptions from competition policy in international freight transport.

Improve housing policies.[*1] Restrictive land-use policies reduce housing supply responsiveness to demand, eroding affordability and the potential for agglomeration economies.

Recommendations: Implement the Productivity Commission's recommendations on improving urban planning, including: adopting different regulatory approaches for the natural and built environments; making clearer government's priorities concerning land

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

NEW ZEALAND

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		1.1	1.3
Labour utilisation		0.4	0.5
of which:	Labour force participation rate	0.4	0.3
	Employment rate[1]	-0.2	0.1
	Employment coefficient[2]	0.3	0.1
Labour productivity		0.4	0.7
of which:	Capital deepening	0.9	0.1
	Total factor productivity	-0.5	0.6
Dependency ratio		0.3	0.0

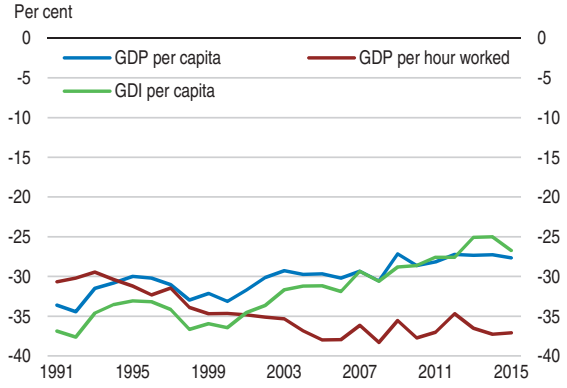
B. Inequality

	Level	Annual variation (percentage points)
	2012	2008-12
Gini coefficient[3]	33.3 (31.7)*	0.1 (0)*
Share of national disposable income held by the poorest 20%	7.6 (7.7)*	0 (0)*

** OECD average*

C. Gaps in GDP per capita and productivity remain wide

Gap to the upper half of OECD countries[4]



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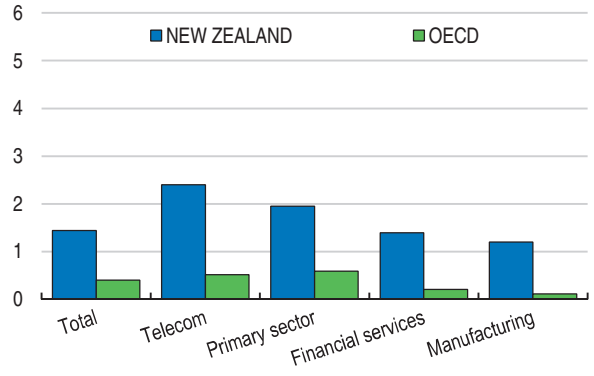
Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

StatLink http://dx.doi.org/10.1787/888933455225

Policy indicators

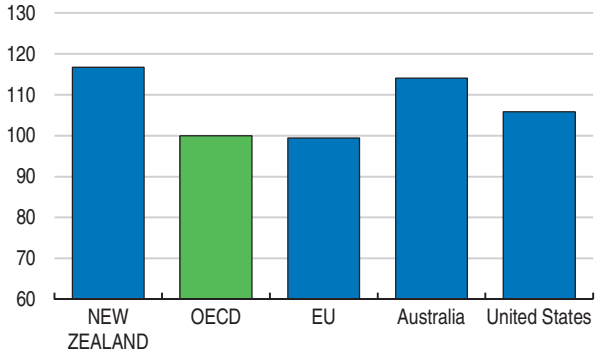
A. Barriers to FDI are comparatively high

Index scale of 0-6 from least to most restrictive, 2015



B. Student performance is uneven

Variance in PISA scores as a percentage of OECD variance,[1] 2015



1. OECD = 100. The variance components in mathematics, sciences and reading were estimated for all students in participating countries with data on socio-economic background and study programmes. The variance in student performance is calculated as the square of the standard deviation of PISA scores in reading, mathematics and science for the students used in the analysis.

Source: Panel A: OECD, *FDI Regulatory Restrictiveness Index Database*; Panel B: OECD, *PISA Database*.

StatLink http://dx.doi.org/10.1787/888933455684

use regulation and infrastructure provision; making the planning system more responsive in providing key infrastructure; adopting a more restrained approach to land regulation; strengthening local and central government emphasis on rigorous analysis of policy options and planning proposals; implementing pricing to reduce urban road congestion; and diversifying urban infrastructure funding sources.

Reduce educational underachievement among specific groups. Students from Maori, Pasifika and lower socio-economic backgrounds have much less favourable education outcomes than others.

Actions taken: An education reform aiming to improve teaching by strengthening collaboration between principals, teachers and schools was introduced in 2015. Teacher professional learning and development is to focus more on priority disciplines and schools with less than expected achievement levels.

Recommendations: Better target early childhood education on groups with low participation in such education. Improve standards, appraisal and accountability in the schooling system. To improve the school-to-work transition, enhance the quality of teaching, careers advice and pathways, especially for disadvantaged youth, and expand the Youth Guarantee. Facilitate participation of disadvantaged youth in training and apprenticeships.

Improve health sector efficiency and outcomes among specific groups. The public healthcare sector is relatively inefficient and health inequalities are high.

Actions taken: The NZ Health Strategy 2016 sets out strategic priorities for the next 10 years, including improving health sector efficiency and outcomes for disadvantaged groups. Better use of information is to be made to achieve these objectives. Funding is to be directed to areas where needs are greatest.

Recommendations: Increase District Health Boards' incentives to enhance hospital efficiency, improve workforce utilisation, integrate primary and secondary care, and better managed chronic care. Continue to encourage the adoption of more healthy lifestyles.

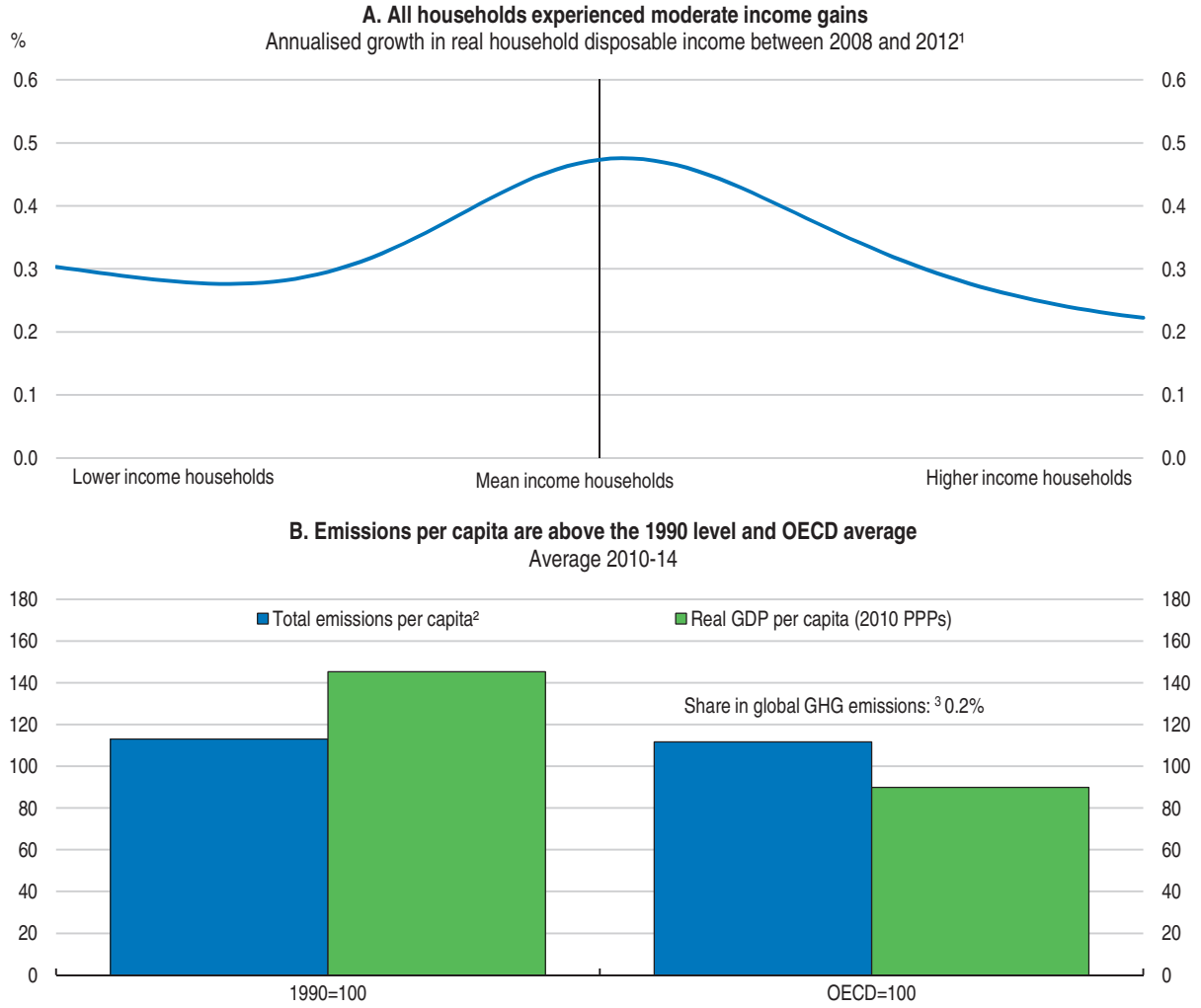
Raise effectiveness of R&D support. Relatively low public funding of business R&D contributes to below-average R&D intensity.

Actions taken: As announced in the 2014 and 2015 government budgets, public funding for business R&D is being progressively increased in the period up to 2019.

Recommendations: Further boost support for business R&D to help lift it to the longer-term goal of 1% of GDP. Evaluate grant programmes. Co-ordinate immigration and education policies with business skills needs for innovation.

NEW ZEALAND

Beyond GDP per capita: Other policy objectives



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NORWAY

- GDP per capita remains high relative to other advanced OECD countries, both in terms of total and mainland GDP. However, growth in GDP per capita has decelerated in recent years due to declining labour utilisation and weaker labour productivity growth.
- Inequality, as measured by the Gini coefficient, remained stable since 2008 and is well below the OECD average. The share of national income going to the poorest also surpasses the OECD average.
- The government has taken actions in a number of *Going for Growth 2015* priority areas, namely the sickness and disability schemes, product market competition, secondary education, agriculture support, and tax system. A new Disability Pension system that is separated from the old pension system was introduced and measures were enacted to promote competition in postal and rail services. In education, recent initiatives focus on improving teaching quality and boosting tertiary completion rates, including through merging higher education institutions. Norway has notably increased taxation of secondary homes and has streamlined tax expenditures, reducing tax system distortions.
- Lowering the tax burden and shifting the tax mix from direct to indirect sources would encourage business enterprise and productivity growth, while further reform of the sickness and disability schemes would raise labour supply. Stronger education outcomes are key to higher productivity and well-being. High quality tertiary education is essential in this regard. Raising product market competition and reducing agricultural support would also boost productivity.

Going for Growth 2017 priorities

Lower the tax burden and improve the efficiency of the tax system by shifting the mix toward indirect taxes. A shift towards indirect taxation would encourage business enterprise and productivity growth.

Actions taken: The rate of corporate taxation was reduced from 27% to 25% in 2016 (with a parallel cut in the ordinary rate of personal income tax), with plans for a further reduction. The lowest value-added tax rate of 8% was increased to 10%, helping financing the reform.

Recommendation: Use fiscal space to lower the tax burden. Proceed with plans to further cut the corporate tax rate, while broadening the tax base through, for instance, additional measures to counter base erosion and profit shifting. In addition make greater use of property taxation. Any move towards greater reliance on indirect taxation requires a careful assessment of its distributional impact.

Strengthen performance in secondary and tertiary education. Performance in secondary education is middle ranking and completion rates in upper secondary vocational and tertiary education are low, despite a high level of public spending.

Actions taken: Current reforms aim to promote teaching quality, including through stricter requirements for teaching courses entry and new career paths for teachers. In higher education, a merging process reduced the number of institutions from 53 to 42 in 2016. Implementation of a new funding system has begun.

Recommendations: Monitor closely, and adjust if needed, the outcomes of the new measures for teachers. Reduce the number of schools to achieve economies of scale. Raise school and teacher accountability. Continue to promote mergers in higher education. Include the graduation rates in the formula for performance-based funding for higher education. Link further student support to completions.

NORWAY

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		2.4	0.9
Labour utilisation		0.8	-0.6
of which:	Labour force participation rate	0.3	-0.4
	Employment rate[1]	0.2	-0.2
	Employment coefficient[2]	0.3	0.0
Labour productivity		1.3	1.2
of which:	Capital deepening	-0.5	-0.4
	Total factor productivity	1.9	1.6
Dependency ratio		0.2	0.3

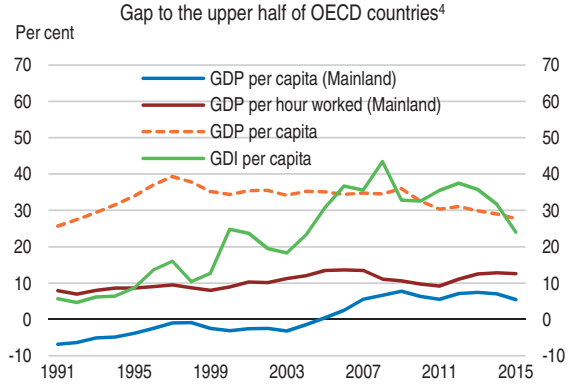
B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	25.2 (31.7)*	0 (0)*
Share of national disposable income held by the poorest 20%	9.1 (7.7)*	0 (0)*

** OECD average*

C. GDP per capita and productivity remain among the highest in the OECD

Gap to the upper half of OECD countries[4]



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2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs). GDP per capita (Mainland) excludes petroleum production and shipping. While total GDP overestimates the sustainable income potential, mainland GDP slightly underestimates it since returns on the financial assets the petroleum fund holds abroad are not included.

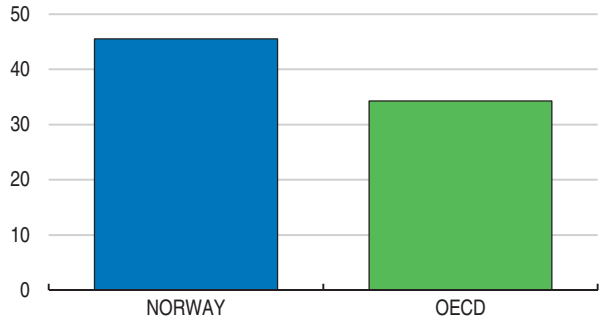
Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*; Statistics Norway.

StatLink http://dx.doi.org/10.1787/888933455235

Policy indicators

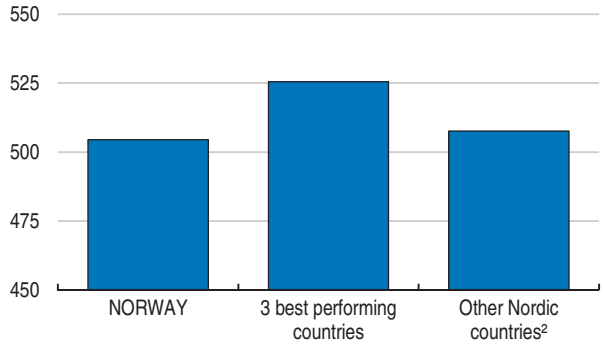
A. The tax burden is relatively high

Tax revenue as a percentage of GDP,[1] 2015



B. Student performance is below that in top-ranking countries

Average of PISA scores in mathematics, science and reading, 2015



1. For Norway, data refer to non-oil tax revenue as a percentage of mainland GDP.
2. Average of Denmark, Finland and Sweden.

Source: Panel A: OECD, *Revenue Statistics Database*; Panel B: OECD, *PISA Database*.

StatLink http://dx.doi.org/10.1787/888933455698

NORWAY

Further reform disability and sickness benefit schemes. Sickness leave and disability benefits still serve as pathways to early retirement, discouraging labour supply and reducing employment opportunities.

Actions taken: Since 2015 the calculation of disability benefits has been similar to those for the Work Assessment Allowance rather than those for old-age pensions. A faster tapering rule for disability benefits was also introduced. The government has implemented (October 2015) a new medical assessment after six months of sick leave for a trial period of one year.

Recommendations: Evaluate, as envisaged, the new medical assessment for sick leave. Further tighten access to sickness and disability schemes through more "third party" assessment and stronger enforcement of back-to-work plans. If such reforms do not lower take up, reduce the generosity of payment for long-term sickness absence and lengthen the employer-financed phase of sick leave.

Increase product market competition. Public ownership and entry barriers act as a barrier to competition and to stronger productivity growth.

Actions taken: The government has received parliamentary approval for sale in several enterprises, including reduction in the state's holding in the telecoms company Telenor. A reform of the rail sector (approved in June 2015) has strengthened the division between the network and service provision. A new Act came into force in 2016 stipulating the abolition of Norges Posten's monopoly on letters below 50 grammes, along with some lightening of the incumbent's universal service requirements.

Recommendations: Promote competition in network industries by further reducing state ownership of business enterprises and continuing reforms for liberalising postal and rail services. Reduce entry barriers in some services, notably in retail, by pressing-on with deregulation in shop-opening hours.

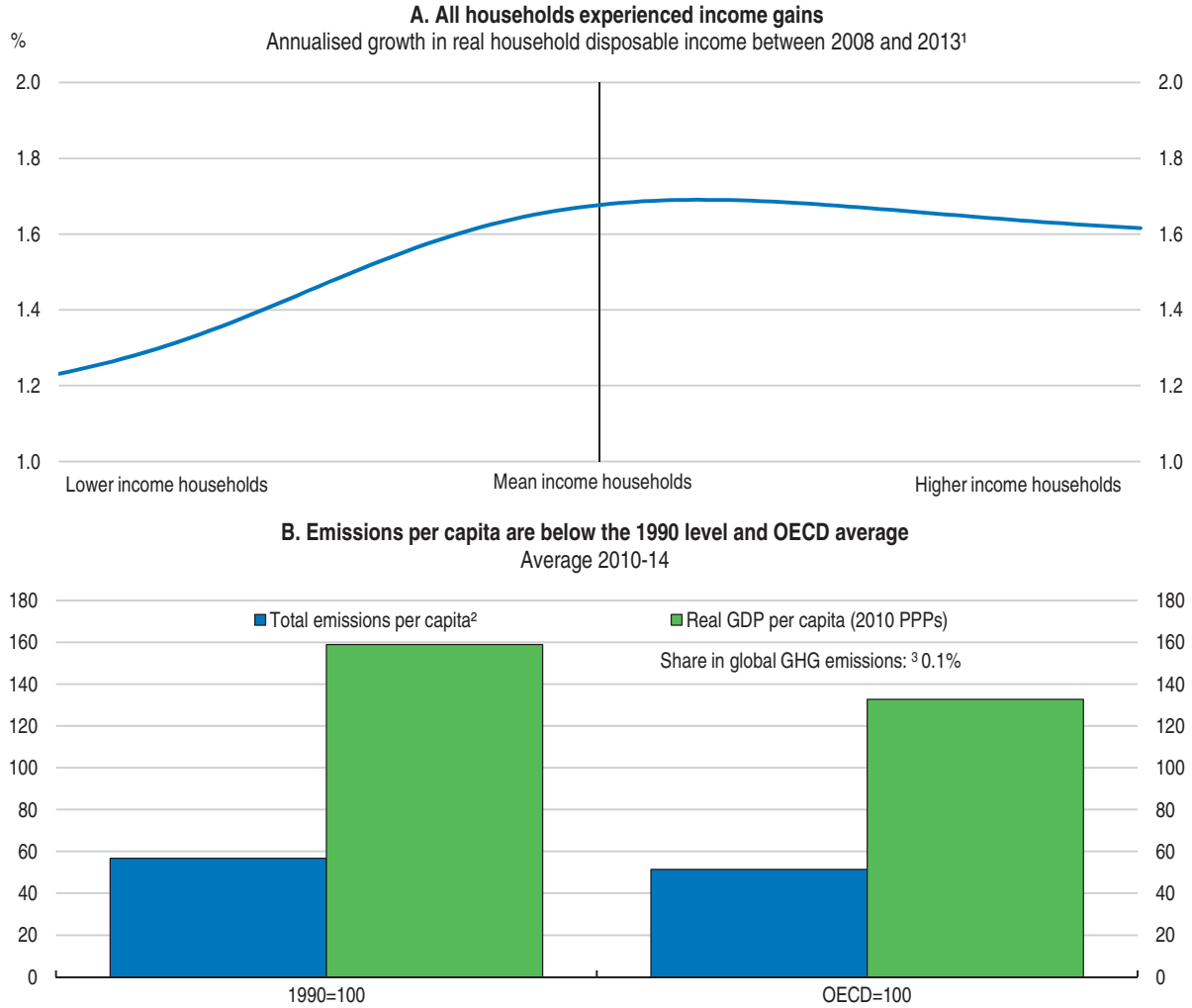
Reduce producer support to agriculture. A highly protected agriculture sector discourages the efficient use of resources.

Actions taken: Production-level caps in some agriculture support mechanisms were raised in 2015 with a view to encourage a shift to larger-scale units.

Recommendations: Import tariffs and cash subsidies for farmers should be put on a downward trajectory and legislative biases that favour agriculture should be removed. Strengthen the links between policy objectives and pay-outs for cultural and environmental support mechanisms.

NORWAY

Beyond GDP per capita: Other policy objectives



1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2008 and 2013. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
2. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933456152

POLAND

- GDP per capita has been converging steadily towards leading OECD countries due to strong labour efficiency growth and rising labour utilisation. However, the labour productivity gap remains substantial, and the employment rate of older workers, especially women, is low.
- The disposable income of the poorest households has increased faster than the average between 2008 and 2013, and inequality, as measured by the Gini coefficient, has declined.
- Progress has been made to improve access to pre-school education, upgrade the road infrastructure and strengthen competition throughout the economy. The authorities have started to better align social contributions and taxes across different labour contracts. Poland also published its first house price indexes in 2015. However, further actions, such as the release of local zoning plans, are needed to improve the functioning of the housing market. Moreover, the new government has increased child benefits, which may have negative effects on women's labour supply, and plans to lower the statutory retirement age.
- Lowering entry barriers and continuing to enhance network infrastructures would improve resource allocation, productivity and employment. Increasing the retirement age and developing environmental and property taxes would allow for a reduction in the tax wedge on low wages and long-term investments in infrastructure and skills, with positive distributional effects.

Going for Growth 2017 priorities

Lower barriers to product market competition. Stringent entry regulations and heavy administrative burdens on start-ups induce significant resource misallocation. Public ownership remains pervasive in many sectors.

Actions taken: The government continued an ambitious deregulation of professional services in 2015. In 2015 it also reformed bankruptcy procedures for consumers and firms.

Recommendations: Further reduce administrative burdens and other regulatory barriers to firm entry. Monitor the impact of the recent reform of insolvency law. Ensure the full independence of the sectoral regulators, and pursue privatisation in competitive segments of the economy.

Reform the welfare system and reduce labour taxes. Some taxes and transfers hold back employment, especially for older and low-skilled workers, and encourage the use of temporary contracts.

Actions taken: The government increased social contributions on some non-standard contracts in 2016, and an hourly minimum wage is to be applied to them. A planned increase in the PIT tax-free allowance would reduce the labour tax wedge. However, increased child benefits in 2016 and plans to lower the statutory retirement age could curb employment.

Recommendations: Increase the statutory retirement age for men and women. Phase out all special occupational pension regimes. Reduce the tax wedge on low wages by shifting the tax burden to environmental and immovable property taxes, increase progressivity in the personal income tax system, and improve tax compliance. Continue to better align the social contributions applying to different labour contracts, and move towards individual taxation.

Improve the equity and efficiency of education. Widespread deficiencies in basic skills hinder productivity and equity, and the low availability of pre-school education holds back women's employment.

POLAND

Growth performance and inequality indicators

A. Growth

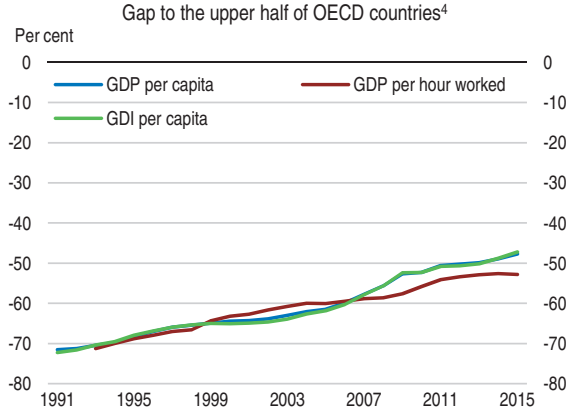
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		4.8	3.0
Labour utilisation		2.3	0.9
of which:	Labour force participation rate	0.1	0.8
	Employment rate[1]	2.3	0.1
	Employment coefficient[2]	-0.1	0.0
Labour productivity		2.2	2.4
of which:	Capital deepening	-0.5	0.3
	Total factor productivity	2.8	2.1
Dependency ratio		0.3	-0.3

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	30 (31.7)*	-0.2 (0)*
Share of national disposable income held by the poorest 20%	8.1 (7.7)*	0 (0)*

** OECD average*

C. The large gap in GDP per capita has continued to narrow
Gap to the upper half of OECD countries[4]



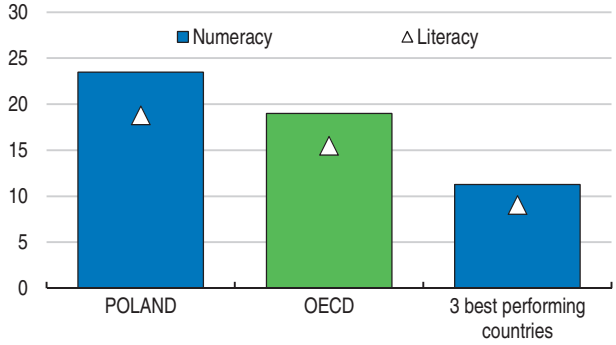
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

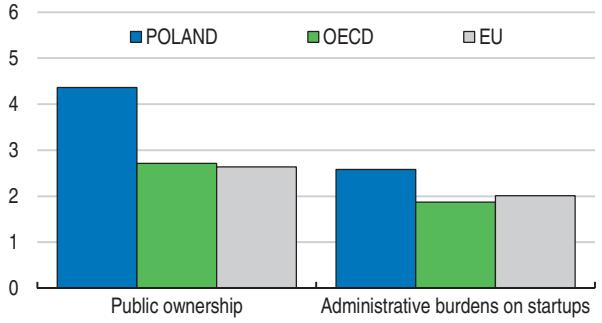
StatLink http://dx.doi.org/10.1787/888933455248

Policy indicators

A. A large share of the polish population has weak numeracy and literacy skills
Percentage of adults scoring at proficiency level 1, 2012[1]



B. Public ownership is widespread and the administrative burden on start-ups is substantial
Index scale of 0-6 from least to most restrictive, 2013



1. PIAAC levels of proficiency in numeracy and literacy are defined by particular score-point ranges and the level of difficulty of the tasks within these ranges. Includes adults scoring at PIAAC's "below level 1" proficiency level. Adults scoring at proficiency level 1 or below are only able to perform basic arithmetic operations with whole numbers, whereas adults attaining the highest scores have proven to master analysis and more complex reasoning about quantities and data (level 4) or the ability to draw inferences and work with mathematical arguments and models (level 5).

Source: Panel A: OECD (2013), *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*; Panel B: OECD, *Product Market Regulation Database*.

StatLink http://dx.doi.org/10.1787/888933455702

POLAND

Actions taken: The government has further expanded pre-school education in 2015-16, but facilities remain insufficient.

Recommendations: Continue expanding affordable pre-school education. Develop individual support for weak students in elementary and lower secondary education. Improve the pay and career opportunities of teachers in basic vocational schools, and increase the number of apprenticeships. Ensure transparent performance-based promotion criteria for professors in tertiary education.

Upgrade infrastructure. The low quality of infrastructure reduces productivity growth. Ageing electricity and heat generation capacities have significant environmental and health costs.

Actions taken: Road infrastructures have continued to improve some progress has been in railways upgrade. A law approved in 2015 foresees the creation of metropolitan governance associations, notably for transport and spatial planning.

Recommendations: Continue to enhance transport and communication infrastructures. Increase green taxes and ensure that climate change policies are clear and aligned with European and international objectives. Invest in interconnections with neighbouring countries in the electricity and the gas sectors. Require the release of zoning plans by municipalities, and bolster local administrative capacity.

****Improve R&D support policies.****[1] The weak diffusion of innovation reduces productivity growth.

Recommendations: Facilitate firm entry and growth. Ensure that the tax relief for acquiring new technology does not penalise young firms. Develop technology clusters integrating research centres and vocational schools.

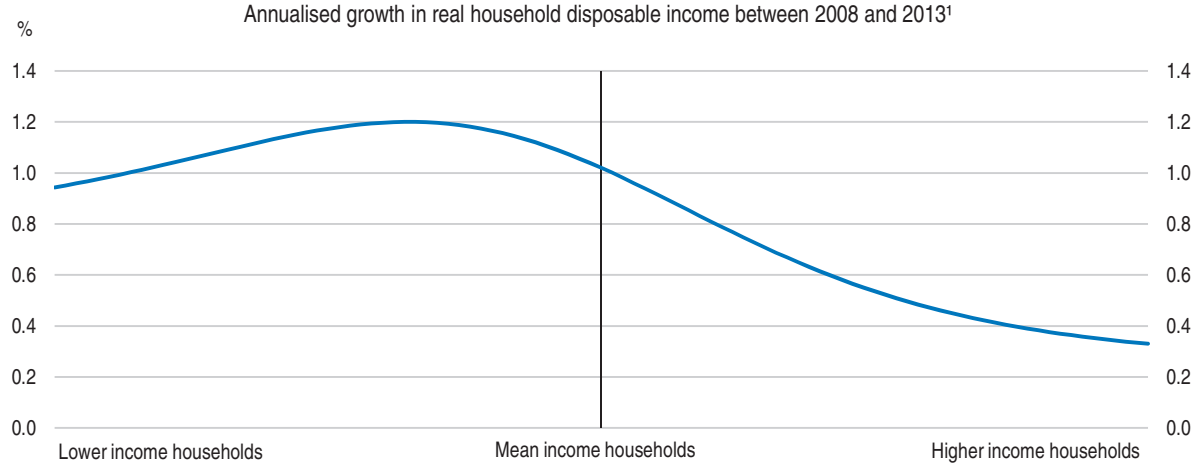
1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

POLAND

Beyond GDP per capita: Other policy objectives

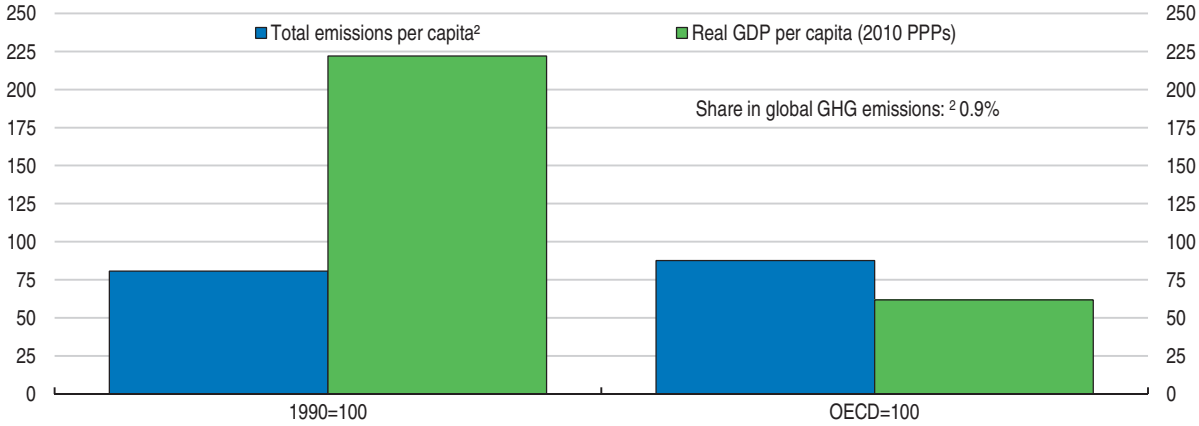
A. All households experienced income gains, especially those in the lower part of the distribution

Annualised growth in real household disposable income between 2008 and 2013[1]



B. Emissions per capita are below their 1990 level

Average 2010-14



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StatLink http://dx.doi.org/10.1787/888933456165

PORTUGAL

- After widening during the crisis, the gap in GDP per capita relative to the average of the most advanced OECD countries has stabilised. It remains nonetheless very large and is explained mostly by low productivity.
- Despite a recent decline, inequality remains high and the share of national disposable income held by the poorest 20% of the population is below the OECD average. A segmented labour market narrows the opportunities of entering into stable employment for young people, who face a higher risk of poverty and exclusion.
- Active labour market policies have become more focused on training and internships for the young and the long-term unemployed. Public employment services have become more efficient, including through better management and a greater reliance on digital services. While challenges remain in this area, it is no longer considered a *Going for Growth* priority.
- Reducing corporate debt overhang would spur investment and productivity and enhance Portugal's growth potential. Improving the skills of the labour force would not only support productivity but also improve equity and well-being.

Going for Growth 2017 priorities

Reduce corporate debt overhang.[*1] Private investment and resource re-allocation are being held back by the high share of non-performing loans that limit the lending capacity of banks.

Recommendations: Insolvency procedures and the restructuring of viable firms should be streamlined by eliminating special veto rights for tax authorities, improving access to information for insolvency administrators and creditors, increasing the number of judges in commercial courts and providing more specialised training to judges. Stronger regulatory incentives could lead banks to submit credible plans for reducing non-performing loans, including through write-offs and sales. Public guarantee schemes could play a role in the development of markets for distressed debt securities. The performance of the new tax allowance for corporate equity (ACE) with respect to reducing the tax distortions towards debt financing should be carefully monitored.

Improve equity and outcomes in education. Improving educational attainments will raise the skills of the labour force and strengthen productivity. It will also foster the creation of higher quality jobs and improve equity and well-being.

Actions taken: Short-cycle higher technical courses (TeSP) were created in the academic year of 2014/15 and in 2016 the Authorities have closed vocational paths in lower secondary levels. A training cheque was introduced in August 2015 to strengthen the training incentives for all employed or unemployed persons aged 16 and older. In 2016 the authorities launched the Qualifica programme, which puts a strong emphasis on upgrading the skills of the adult population.

Recommendations: Provide more earlier and individualised support to students at risk of falling behind to reduce grade repetition and drop-out rates. Improve teaching quality by

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

PORTUGAL

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		0.5	-0.1
Labour utilisation		-0.6	-0.9
of which:	Labour force participation rate	0.1	-0.5
	Employment rate[1]	-0.6	-0.6
	Employment coefficient[2]	-0.1	0.2
Labour productivity		1.2	0.8
of which:	Capital deepening	1.7	0.8
	Total factor productivity	-0.5	0.0
Dependency ratio		-0.1	-0.1

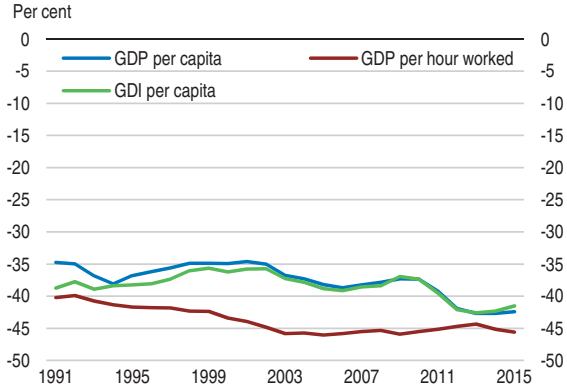
B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	34.2 (31.7)*	-0.3 (0)*
Share of national disposable income held by the poorest 20%	6.9 (7.7)*	-0.1 (0)*

** OECD average*

C. Gaps in GDP per capita and productivity remain large

Gap to the upper half of OECD countries[4]



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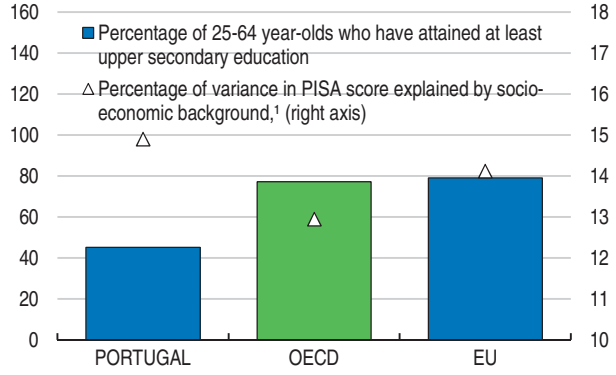
StatLink http://dx.doi.org/10.1787/888933455257

Policy indicators

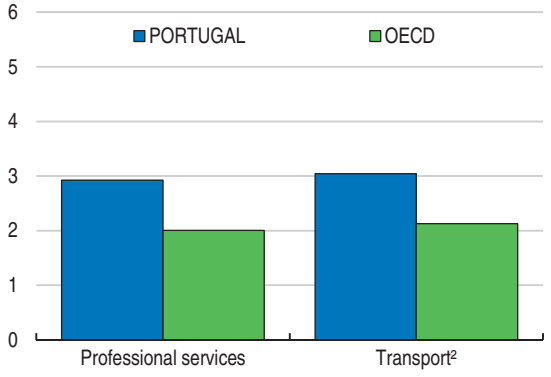
A. Student performance and equity can be improved

2015



B. Regulatory barriers to competition in professional services and transport remain high

Index scale of 0-6 from least to most restrictive, 2013



1. Strength of the relationship between science performance and the PISA index of economic, social and cultural status (ESCS).
2. Average of airlines, rail and road.

Source: Panel A: OECD, *Education at a Glance 2016: OECD Indicators* and *PISA Database*; Panel B: OECD, *Product Market Regulation Database*.

StatLink http://dx.doi.org/10.1787/888933455715

strengthening teachers and school principals' training and exposure to best practices. Create incentives to attract the most experienced teachers to disadvantaged schools. Consolidate vocational education and training (VET) into a single system that includes workplace training of good quality. Streamline the supply of VET courses and improve its alignment with labour market needs through better career guidance and enhanced monitoring of labour market outcomes. Provide more autonomy to schools, including for adjusting class size to students' profile and in retaining good teachers.

Strengthen the link between research and businesses. Stronger links between public sector research and the private sector would boost the development of new technology-intensive products as well as process innovations. This would contribute to the creation of more high-skilled jobs and strengthen the competitiveness of the tradable sector.

Actions taken: The authorities are setting up a programme to support intermediary institutions and technology centres engaged in technology transfer and services to companies.

Recommendations: Accelerate the implementation of the programme capaCITar, which provides financial support for businesses that hire PhDs. Create career incentives for academics to co-operate with the private sector, including through the pursuit of dual careers. Support business innovation further by allowing refunds of R&D tax credits or significantly extending the carry-forward period for R&D expenditures.

Strengthen competition in non-manufacturing sectors. Strengthening competition would lower input prices and bolster export competitiveness and productivity.

Actions taken: Legislative initiatives regarding regulated professions have not resulted in a reduction of entry barriers.

Recommendations: Reduce entry barriers in regulated professions and monitor entry and price regulation by professional bodies to safeguard competition. Reconsider exclusive rights for certain tasks, remaining nationality requirements and restrictions on the form of business. Renegotiate port concessions to ensure that lower port labour costs translate into lower port user costs. Further reduce the scope of application of legacy remuneration schemes in the energy sector through renegotiations with incumbent companies.

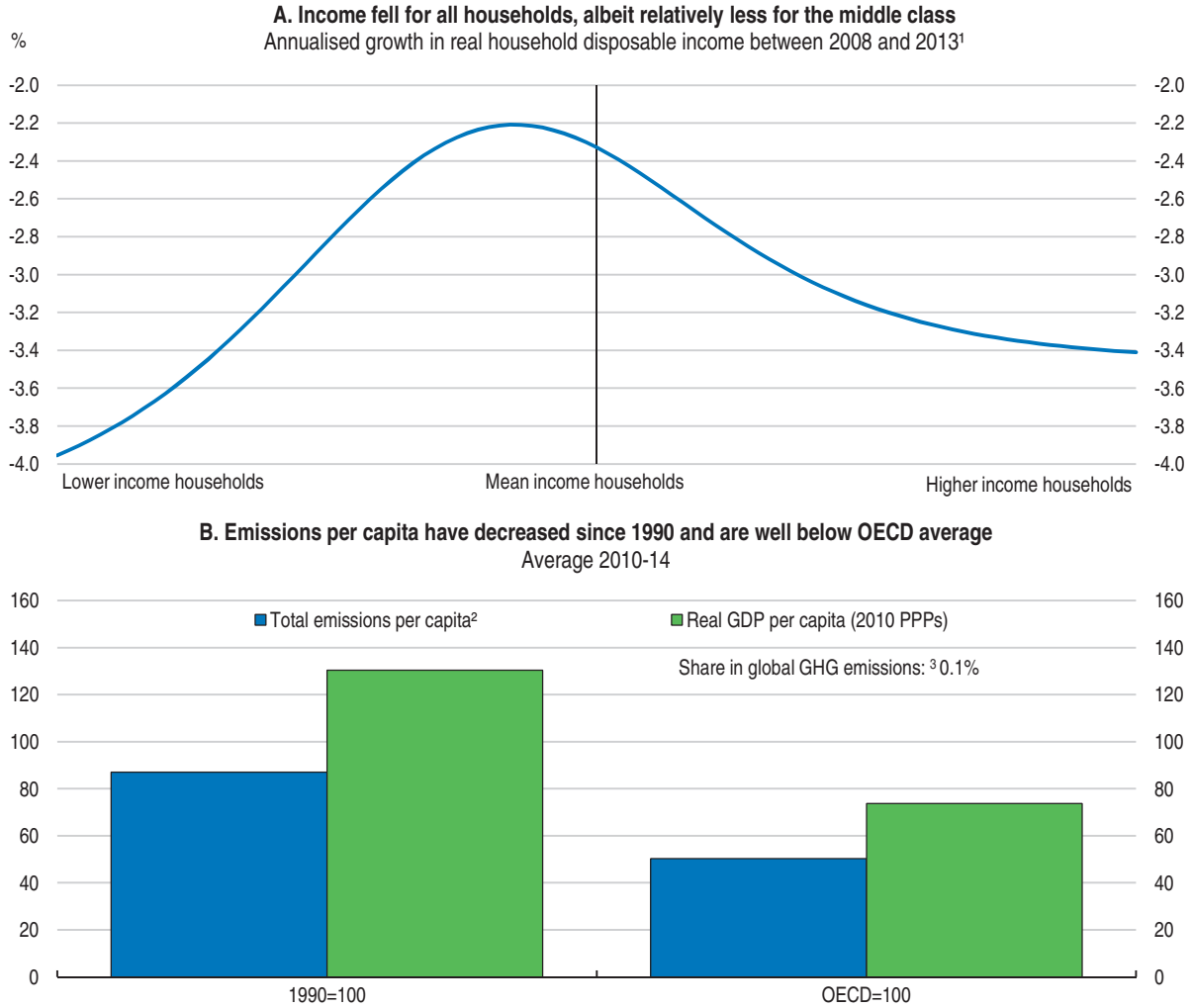
Promote wage bargaining at the firm level. Productivity improvements at the firm level form the basis for sustainable wage developments, while administrative extensions can lead to a disconnect between productivity and wages.

Actions taken: No action taken. Between 2014 and 2015, the number of employees affected by collective agreements has doubled.

Recommendations: Promote wage bargaining at the firm level, including by avoiding a resurgence of administrative extensions of collective wage agreements. Increase the representativeness of the collective bargaining system.

PORTUGAL

Beyond GDP per capita: Other policy objectives



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StatLink http://dx.doi.org/10.1787/888933456178

RUSSIAN FEDERATION

- While the GDP per capita gap relative to the most advanced OECD countries narrowed rapidly until the 2009 crisis, the convergence process slowed down afterwards, due both to a decline in potential growth and cyclical factors. GDP per capita fell further behind after 2014 when declining oil prices and sanctions affected revenues from external trade, although depreciation of the rouble helped partially smooth these shocks. The per capita GDP gap is mainly driven by the productivity gap while the employment rate remains above the OECD average.
- Income inequality is higher than in most OECD member countries, and it increased further in the years after the crisis. Between 2008 and 2012, four-fifths of all households experienced no real income growth or even suffered a decline. Targeting policies to achieve higher market and disposable incomes at the bottom of the distribution could help reduce inequality and make growth more inclusive.
- Efforts have been made in reducing red tape and administrative control, fighting corruption and supporting private sector innovation, but more efforts are needed in these areas. Reducing the role of state-owned entreprises could help spur innovation and productivity. Better enforcement of property rights would improve trust in institutions.
- Improving the quality of the public finances is key for inclusive growth. More spending on education and infrastructure could lift productivity and help reduce the sharp income inequality. Shifting the tax burden from businesses to immovable property, making personal income taxes progressive and improving tax collection would also underpin inclusiveness. Strengthening intergovernmental frameworks and fiscal autonomy of sub-national governments could make public spending more effective. Innovation policies are critical to ensure a transition towards domestically-driven and resource-independent growth. Strengthening the links between the many research institutes at both federal and regional level and the corporate sector could spur innnovation. In particular, improving the framework for SMEs would boost entrepreneurship and productivity.

Going for Growth 2017 priorities

Reduce state control over economic activity and other barriers to competition. Restrictive product market regulation, especially via the pervasive role of the state in the economy, holds down innovation and productivity growth.

Actions taken: Regulatory impact assessment (RIA) has been extended to actual impact. Several oil and mining companies were fully or partially privatised, yet ownership remains opaque at instances. Bashneft, an oil company privatised in 2016, was bought by state-controlled Rosneft. The ambitious privatisation plans for 2014-16 were substantially scaled down and not reinvigorated since.

Recommendations: Continue reducing administrative barriers and widen federal initiatives to regional and local levels. Accelerate proper privatisation of state-owned banks and enterprises (SOEs). Further improve governance of SOEs and foster a level playing-field between public and private companies. Extend regulatory impact assessments to legislative draft considered by the State Duma

Lower barriers to foreign direct investment. A more liberal foreign direct investment regime would enhance competition and innovation, and thereby productivity.

Actions taken: No action taken.

Recommendations: Remove administrative entry barriers and refrain from introducing new ones. Shorten the list of strategic sectors with prior approval required for foreign investment and streamline the approval process.

RUSSIAN FEDERATION

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		4.7	1.3
Labour utilisation		0.6	1.4
of which:	Labour force participation rate	0.7	0.8
	Employment rate[1]	0.0	0.5
	Employment coefficient[2]	0.0	0.0
Labour productivity		3.7	1.0
of which:	Capital deepening	0.5	1.6
	Total factor productivity	3.2	-0.5
Dependency ratio		0.3	-1.0

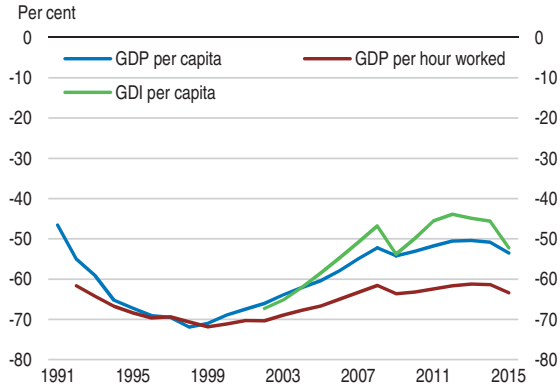
B. Inequality

	Level	Annual variation (percentage points)
	2012	2009-12
Gini coefficient[3]	41.6 (31.7)*	0.6 (0)*
Share of national disposable income held by the poorest 20%	5.9 (7.7)*	-0.2 (0)*

** OECD average*

C. The large gaps in GDP per capita and productivity have stopped narrowing

Gap to the upper half of OECD countries[4]



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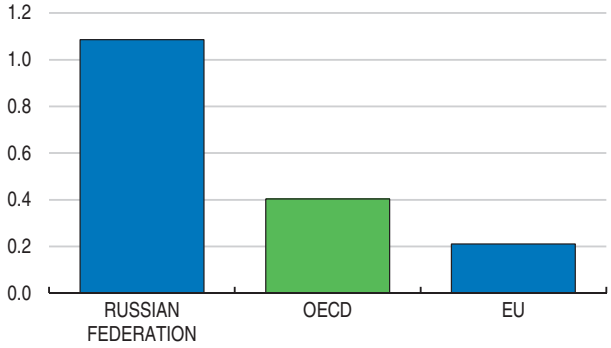
StatLink http://dx.doi.org/10.1787/888933455267

Policy indicators

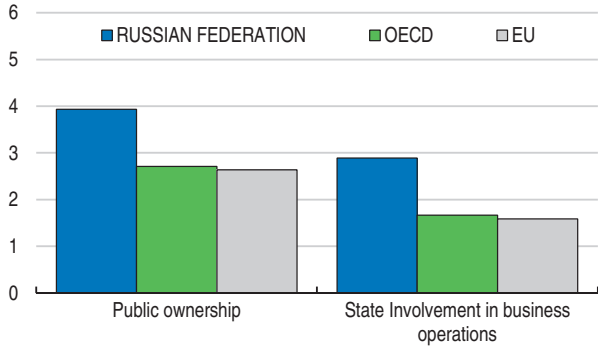
A. Barriers to FDI are comparatively high

Index scale of 0-6 from least to most restrictive, 2015



B. State control on economic activity is substantial

Index scale of 0-6 from least to most restrictive, 2013



Source: Panel A: OECD, *FDI Regulatory Restrictiveness Index Database*; Panel B: OECD, *Product Market Regulation Database*.

StatLink http://dx.doi.org/10.1787/888933455723

RUSSIAN FEDERATION

Raise the effectiveness of innovation policy. Raising innovation capacity would increase productivity growth.

Actions taken: Direct support to innovation – and to investment in infrastructure – by SMEs increased over the 2014-2016 period. The government's research and development strategy, adopted in 2016, aims at strengthening innovative capacity in leading Russian companies and the links between research institutions and the business sector.

Recommendation: Continue broad-based support for innovation and the adoption of new technologies. Shift more research from the Russian Academy of Sciences (RAS) to universities, increasing the share of competitive grant funding and streamlining state-owned branch research institutes. Strengthen the links between universities and the private sector, especially SMEs, and foster an environment that is conducive for start-ups. Support private-sector innovation activities through universally applied tax credits.

Raise the quality of public administration. More efficient and accountable public administration would contribute to faster economic growth.

Actions taken: No actions taken.

Recommendations: Continue the anti-corruption campaign with stronger focus on transparency and accountability of the public sector. Reduce potential for corruption by minimising the need and the scope for subjective decision-making by officials. Improve legal protection of whistle-blowers and do not restrict the scope for media and NGOs to publicise violation of the law. Strengthen judicial independence through greater transparency in appointment and promotion processes, better pay and rotation of judges.

Improve the quality of the public finances.[*1] Better quality of the public finances, both on the spending and the revenue side, would foster inclusive growth and help reduce income inequality, which is sharp by international standards.

Recommendations: Increase the share of spending on education and infrastructure and reduce that on defence. Shift the tax burden from business to immovable property and consider making income taxation more progressive. Improve tax collection. Strengthen intergovernmental frameworks and fiscal autonomy of sub-national governments. Scale up spending on ALMPs, in particular on training and job search support.

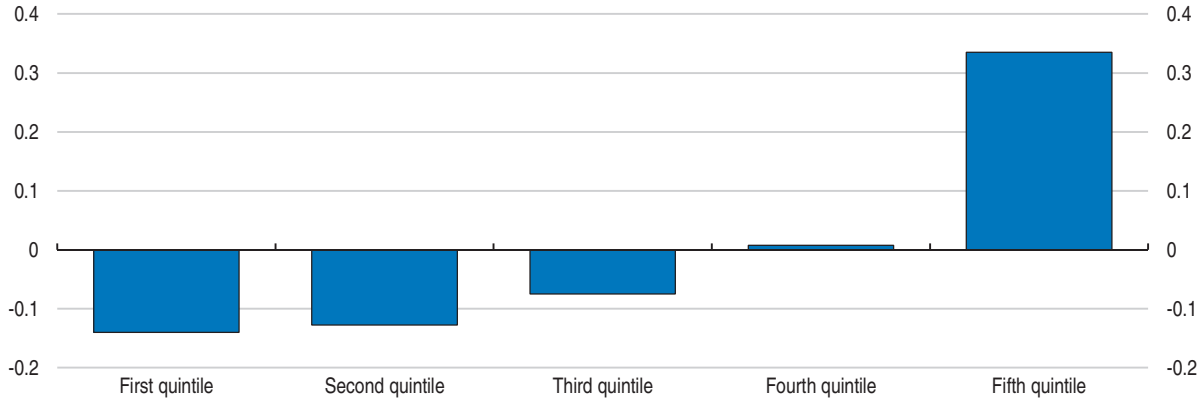
1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

RUSSIAN FEDERATION

Beyond GDP per capita: Other policy objectives

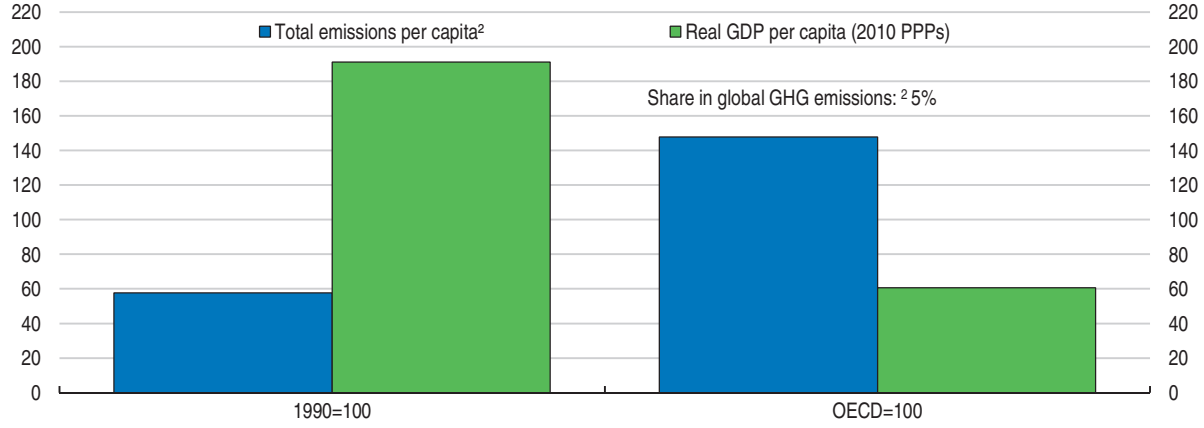
A. Households income at the top of the distribution increased while poor households experienced losses

Annualised percentage points growth in quintile shares between 2008 and 2012



B. Emissions per capita are below the 1990 level but above the OECD average

Average 2010-14



1. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: World Bank, *World Development Indicators database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933456184

SLOVAK REPUBLIC

- GDP per capita convergence towards leading OECD countries has continued, albeit at a significantly slower pace since the crisis. The shortfall related to the best performing countries remains substantial, notably because of low employment rates and weaker investment compared to the pre-crisis trend.
- Income inequalities are below the OECD average but have increased in recent years. In particular, poverty is widespread in the eastern part of Slovakia, particularly among Roma minority.
- Some progress has been made in the area of education. Teachers' salaries have increased and a new Act on Vocational Education introduces elements of a dual system. Improvement in the recognition of non-formal learning can help increase participation in lifelong learning. More needs to be done to improve efficiency of the education system, as youth unemployment remains high. Improving the business environment and the innovation framework are no longer considered *Going for Growth* priorities, although further policy action in both areas is warranted.
- Pursuing the reform of the education system and public sector in general is a top priority. Developing advanced skills and better match those with labour market needs will be essential to maintain the income convergence towards the best OECD performers. This should be accompanied by policies improving the skills of students from disadvantaged backgrounds, notably Roma.
- Increasing environmental taxation and abolishing subsidies on electricity will reduce the energy intensity and contribute to climate change.

Going for Growth 2017 priorities

Improve public sector efficiency.[*1] Slovakia is underperforming in terms of public sector efficiency, which reduces the room of manoeuvre for both ensuring fiscal consolidation and financing growth-friendly measures.

Recommendations: The government should effectively implement the Value for Money initiative, which incorporates evidence-based analysis into policy making. This should be accompanied by improved human resource management and modernisation of public administration, to reduce the high turnover of civil servants and dependence on the political cycle. Monitor the implementation of anti-shell law and operation of the electronic contracting system for public procurement.

Improve funding, equity and effectiveness of the education system. The education system fails to provide adequate skills for the labour market.

Actions taken: The government has introduced a new Act on vocational education and training in 2015, which incorporates elements of a dual system including apprenticeships. The new system is increasing incentives for enterprises to provide training by making costs for practical training provision deductible from taxes.

Recommendations: Promote the entry of industry practitioners into the teaching workforce. Regularly publish information on labour market outcomes of graduates. Make tertiary education more attractive to technical secondary school graduates by developing short occupationally oriented tertiary programmes. Make budgetary allocations to universities more dependent on labour market outcomes.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

SLOVAK REPUBLIC

Growth performance and inequality indicators

A. Growth

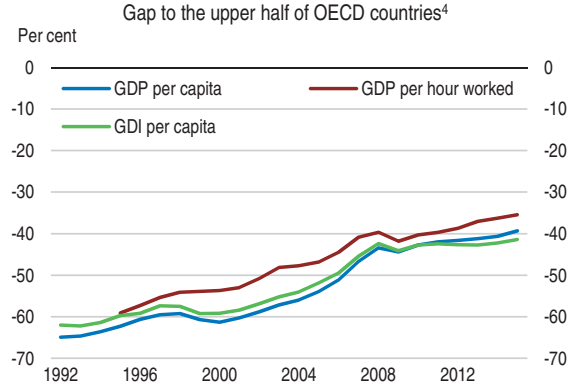
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		5.1	2.8
Labour utilisation		0.7	0.4
of which:	Labour force participation rate	0.0	0.2
	Employment rate[1]	1.1	0.1
	Employment coefficient[2]	-0.4	0.1
Labour productivity		3.9	2.4
of which:	Capital deepening	-0.9	-0.5
	Total factor productivity	4.9	2.9
Dependency ratio		0.4	0.0

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	26.9 (31.7)*	0.2 (0)*
Share of national disposable income held by the poorest 20%	8.8 (7.7)*	-0.1 (0)*

** OECD average*

C. Gaps in GDP per capita and productivity have continued to narrow
Gap to the upper half of OECD countries[4]



1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

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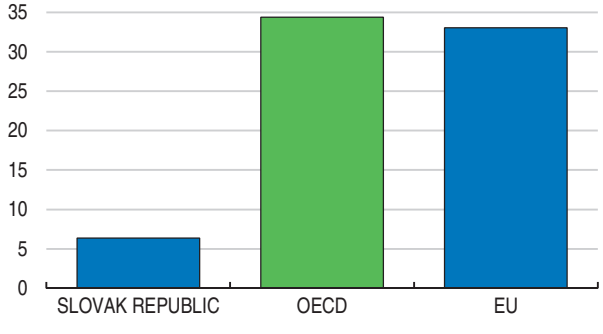
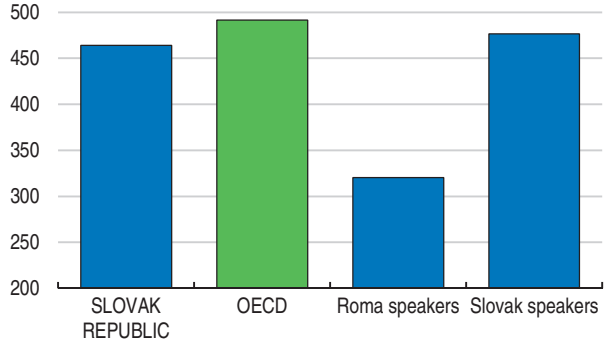
Policy indicators

A. Participation in early childhood education is low
Participation rates for 0-2 year olds in formal childcare and pre-school services, 2014



B. Student performance is low for some groups
Average of PISA scores in mathematics and reading, 2015



Source: Panel A: OECD, *Family Database*; Panel B: OECD, *PISA Database*.

StatLink http://dx.doi.org/10.1787/888933455738

SLOVAK REPUBLIC

Strengthen policies to promote lifelong training and mobility. Low participation in lifelong training and weak mobility hinders workers adjustments to the rapid changes in the skills requirements.

Actions taken: The government have adopted legislative changes in 2015 to improve the recognition of non-formal learning.

Recommendations: Target long-term unemployment by providing efficient public employment services and active labour market policies, including requalification and training programmes. Introduce training vouchers to increase participation in lifelong learning and provide financial incentives for offering apprenticeships, with strict quality control. In order to promote workers' mobility, which is hindered by the high level of home ownership, suppress subsidies for house purchases including grants allocated to youth for housing purchases, the state bonus on saving devoted to housing purchase, and subsidised interest rate mortgages.

Reduce barriers to female labour market participation. Raising female labour market participation would foster economic growth and help to counter the impact of population ageing.

Actions taken: The early childhood education capacities have increased in 2015 and other 14.5 million have been allocated in building new childcare facilities in 2016.

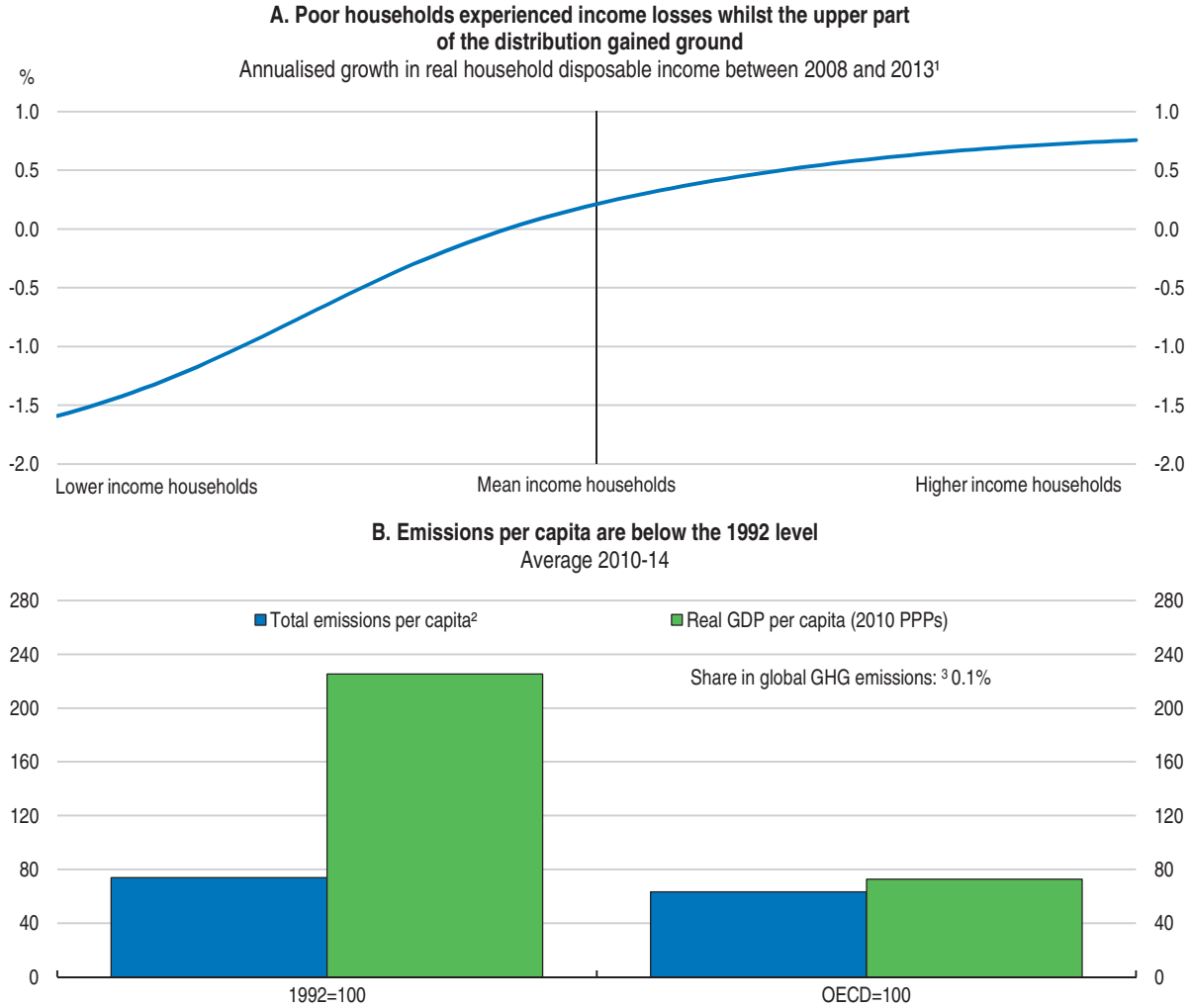
Recommendations: The government should continue to expand childcare facilities. This should be accompanied with the reduction of the length of parental leave by making the share of the parental allowance conditional on fathers taking part of the parental leave. The disincentives to work for second earners should be removed from the tax system.

***Improve opportunities and outcomes for Roma population*.** Weak educational outcomes of the Roma contribute to their difficulty to access the labour market.

Recommendations: Encourage social diversity in classrooms and target more resources to disadvantaged schools. Expand second chance education opportunities based on provision of formal certification combined with programs improving the chance to acquire work experience. Develop statistics to monitor the effectiveness of support to the Roma population. Introduce policies to reduce discrimination against Roma in education and the labour market.

SLOVAK REPUBLIC

Beyond GDP per capita: Other policy objectives



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StatLink http://dx.doi.org/10.1787/888933456198

SLOVENIA

- The GDP per capita gap relative to most advanced OECD countries started closing for the first time in 2014, after 5 years of widening. The gap is still significant and GDP per capita is 6% below the 2008 peak. This drop largely reflects reduced labour utilisation.
- Due to the prolonged crisis, income inequality and poverty have increased. Slovenia nevertheless remains one of the OECD countries with the lowest level of disposable income inequality, in part reflecting sizeable redistribution through taxes and transfers.
- Reform momentum has picked-up in the past three years, notably with the reform of employment protection legislation, which reduced market duality. Furthermore, in 2015 healthcare and pension contributions were introduced for student work that had previously benefited from a preferential tax and regulatory treatment, reducing further labour market duality. In 2015 the parliament passed the Asset Management Strategy for state owned enterprises, and there has been progress in privatisation, including of the second largest bank. But overall progress with privatisation remains slow.
- Reducing state involvement in the economy will improve corporate governance and attract foreign investment. Reducing barriers to firm entry, while improving tertiary education outcomes and innovation would help raise labour productivity and long-term growth. Further pension reform is also needed to make people retire at an older age. Restructuring unemployment benefits, social assistance and taxes could increase work incentives for the unemployed and inactive persons. Progress in these areas would strengthen fiscal sustainability, while resulting higher participation and employment rates are the best guarantee against rises in inequality. Better targetting active labour market policies to the long-term unemployed and the low-skilled would help tackle the problem where it is most pressing.

Going for Growth 2017 priorities

Raise the statutory retirement age and reduce disincentives to work at older ages. Slovenian population is ageing rapidly, while the old-age pension system does not sufficiently incentivise older workers to remain active.

Actions taken: No action taken.

Recommendations: Adopt a new and more ambitious pension reform with a view to ensuring both sustainability and adequacy of the system, for instance by linking the statutory retirement age to gains in life expectancy and encouraging private contributions to the second pillar of the pension system. Give more weight to inflation in the pension benefit indexation formula. Limit access to early retirement.

Reduce state involvement in the economy and enhance competition in product markets. Public ownership is widespread, corporate governance weak and there are barriers to entry, reducing competition, technological progress and foreign direct investment inflows.

Actions taken: In 2015, the Parliament passed the Asset Management Strategy for state owned enterprises, classifying stakes in 100-plus companies into three groups: strategic, important, and portfolio investments. There has been further progress on privatisation as the 2nd largest state-owned bank – NKBM – was privatised. However, the Slovenia Sovereign Holding failed to privatise the national telecommunications company amid strong political pressure. The parliament also passed a law deregulating retail professions.

Recommendations: Further reduce state involvement in the economy to improve corporate governance, attract foreign investment and raise efficiency. The state should not

SLOVENIA

Growth performance and inequality indicators

A. Growth

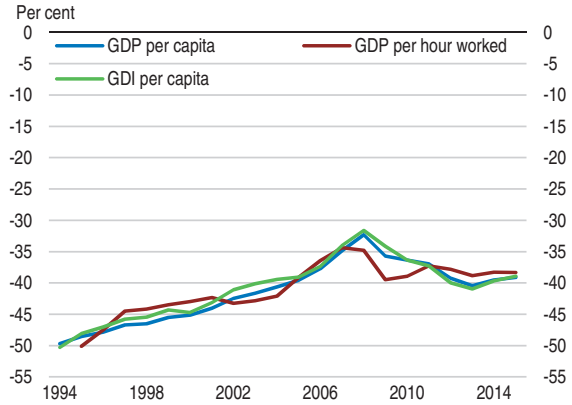
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		2.2	0.4
Labour utilisation		0.7	-0.6
of which:	Labour force participation rate	1.1	-0.4
	Employment rate[1]	0.1	-0.6
	Employment coefficient[2]	-0.6	0.4
Labour productivity		1.7	1.3
of which:	Capital deepening	0.6	0.0
	Total factor productivity	1.1	1.3
Dependency ratio		-0.2	-0.3

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	25.5 (31.7)*	0.4 (0)*
Share of national disposable income held by the poorest 20%	9.1 (7.7)*	-0.1 (0)*

** OECD average*

C. The gap in GDP per capita has stopped widening
Gap to the upper half of OECD countries[4]



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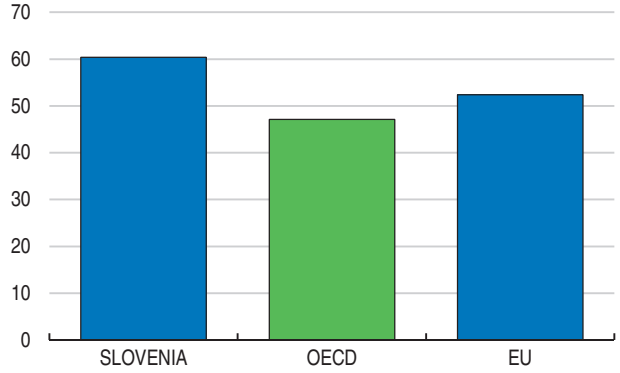
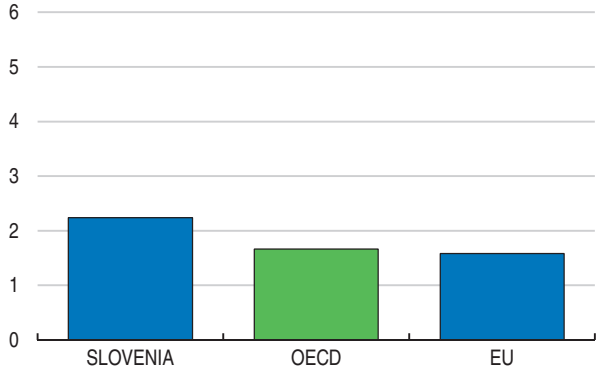
StatLink http://dx.doi.org/10.1787/888933455281

Policy indicators

A. The marginal labour tax wedge is high
Percentage of total labour compensation,[1] 2015



B. State involvement in business operations is comparatively high
Index scale of 0-6 from least to most restrictive, 2013



1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. Marginal labour tax wedge for a single person at 167% of average earnings without child.

Source: Panel A: OECD, *Taxing wages Database*; Panel B: OECD, *Product Market Regulation Database*.

StatLink http://dx.doi.org/10.1787/888933455746

SLOVENIA

hold controlling interests in firms operating in competitive markets. Introduce the "silence is consent" rule for issuing licences required to open up a business and make obtaining construction permits and registering property faster. Reduce entry barriers in professional services (accounting, legal, engineering and architecture).

Reduce disincentives in the tax and transfer system. Inactivity and unemployment traps are high. High marginal tax rates for high-earners have large costs in terms of work incentives and can deter investment in skills or hiring of highly skilled workers.

Actions taken: Measures to reduce the tax burden of mid-income wage earners have been adopted in 2016 for application in 2017. Changes in income tax brackets aim to reduce the tax wedge on earners above 1.6 of the average wage.

Recommendations: Restructuring unemployment benefits, social assistance and taxes could increase work incentives for the unemployed and inactive persons. Make the tax mix more conducive to growth by reducing top tax rates on labour income and increasing recurrent taxes on real estate. Better target family benefits and strengthen means testing of education-related benefits.

Improve tertiary education outcomes and boost innovation. Slovenia spends a lot on R&D, but there is a low number of innovative firms, patents and trademarks. Efficiency should be raised in tertiary education and overall students' performance could be improved.

Actions taken: There has been in 2015 some phasing-in of entrepreneurship studies into the school system through pilot projects. Measures have been introduced to help start-up entrepreneurs, such as the reduction of administrative burdens, subsidies for the start-up of innovative companies, vouchers for training, business incubators, technology parks and business accelerators. There have also been steps to make Slovenia's universities more attractive internationally.

Recommendations: Implement the government's unified innovation policy and monitor its progress. Improve collaborative links between major stakeholders of innovation policy (research, technology development, and innovation, higher education, and policy makers). Strengthen entrepreneurship education in schools and encourage creativity and entrepreneurship drive. Facilitate reform in universities and public research organisations, enhancing their autonomy, leadership and accountability. Further promote international co-operation in universities and strengthen their links with the private sector.

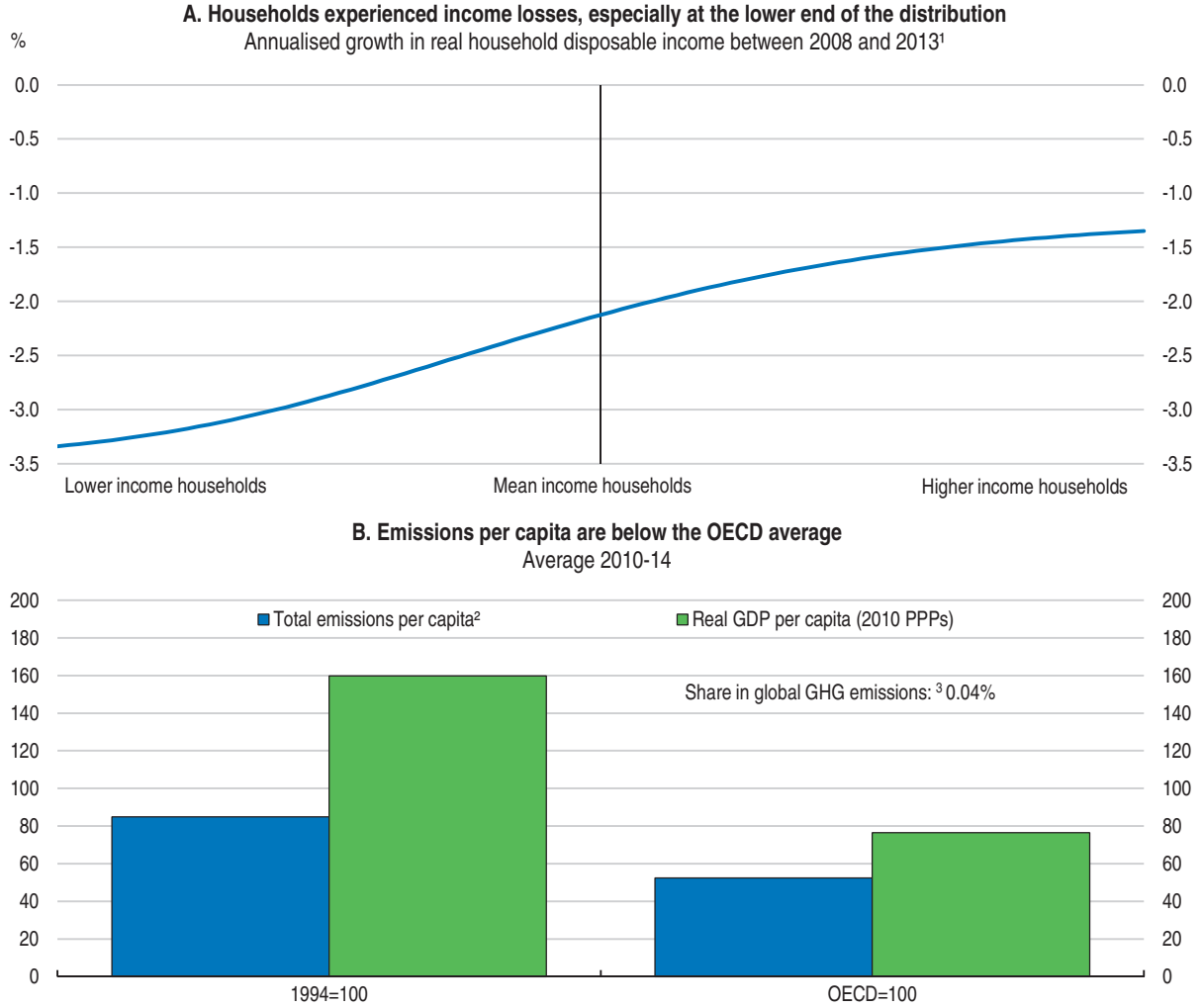
Strengthen active labour market policies.[*1] Slovenia spends relatively little on active labour market policies (ALMPs), and existing programmes are not sufficiently well-targeted to the long-term unemployed and the low-skilled. Less than half of the unemployed participate in ALMPs.

Recommendations: Increase resources for active labour market policies and better target assistance to the long-term unemployed and the low-skilled, based on evaluation of individual programmes. All workers unemployed for more than one to three consecutive months should be encouraged to participate in job counselling and activation programmes, by increasing awareness and specifically targeting those groups that do not participate.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

SLOVENIA

Beyond GDP per capita: Other policy objectives



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StatLink http://dx.doi.org/10.1787/888933456203

SOUTH AFRICA

- Growth in incomes has stalled since the 2008 crisis. GDP per capita remains at around 30% of the average level of the most advanced OECD countries. Total factor productivity has been the main drag on growth compared to the pre-crisis years. However, labour utilisation has also weighed on growth since the crisis.
- Inequality and poverty have remained particularly high, with entrenched barriers to social mobility difficult to overcome despite increases in social spending.
- Significant progress has been made with social partners in the work on labour relations. Unions and business representatives agree that there is a need to better handle wage negotiations and avoid violent strikes. The government and leading unions have endorsed the 3500 Rand per month national minimum wage proposed by the expert panel. The government has also engaged with the private sector to boost investment, ease access to finance for SMEs and strengthen state-owned enterprises. However, most of the *Going for Growth 2015* recommendations still stand.
- Removing barriers to competition and lifting regulatory restrictions in many sectors would boost the economy. In particular, more competition in network industries would bring prices down, increase access and stimulate productivity growth and firms' competitiveness. Also, improving the management and governance of state-owned enterprises and, in addition, strengthening the regulation of these sectors is crucial to lift supply-side bottlenecks. Reducing red tape and barriers to entrepreneurship would bolster employment and productivity growth. Improving equity and quality of education would boost human capital accumulation and reduce the high levels of inequality.

Going for Growth 2017 priorities

Finalise the reform of the wage bargaining system. Building a wage bargaining framework based on trust and transparency would ease wage negotiations and help avoid costly strikes.

Actions taken: Significant progress has been made with social partners on labour relations during 2015-16. The panel of experts recommended a minimum wage of R3 500 per month or R20 per hour (EUR 240 monthly or EUR 1.37 hourly at current rates). The panel recommended lower wages for the agriculture and domestic services sectors where a large proportion of workers are very low-paid. The proposal has been endorsed by the government and the main union alliance, COSATU, paving the way for agreement and adoption by the parliament during 2017. Also, the introduction of the minimum wage is expected to be accompanied by measures to improve industrial relations (secret ballots before strike).

Recommendations: Weaken administrative extension of collective bargaining in sectors covered by bargaining councils. Provide indicative guidelines for wage settlements at a centralised level consistent with inflation targets and sectors' productivity growth. After the national minimum wage is introduced, ensure regular reviews of the minimum wage are independent and transparent.

Reduce barriers to entrepreneurship. Stimulation of entrepreneurship would bolster employment and productivity growth.

Actions taken: A Red Tape Impact Assessment bill dedicated to reducing red tape is with parliament and the authorities are assessing the ease of doing business across various municipalities to improve the business environment, especially for SMEs. Also, the InvestSA initiative, launched in January 2016, will include one-stop shops at national and provincial

SOUTH AFRICA

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		2.3	0.8
Labour utilisation		0.5	-0.1
of which:	Labour force participation rate	-0.1	0.3
	Employment rate[1]	0.6	-0.4
	Employment coefficient[2]	0.0	0.0
Labour productivity		1.5	0.5
of which:	Capital deepening	-0.5	0.2
	Total factor productivity	1.9	0.3
Dependency ratio		0.4	0.3

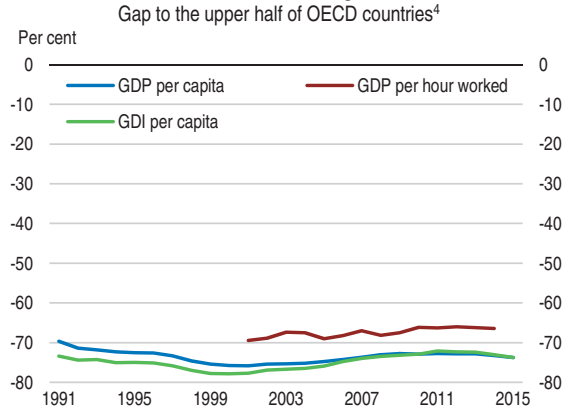
B. Inequality

	Level	Annual variation (percentage points)
	2011	2008-11
Gini coefficient[3]	63.4 (31.7)*	0.1 (0)*
Share of national disposable income held by the poorest 20%	2.5 (7.7)*	0 (0)*

** OECD average*

C. The large gaps in GDP per capita and productivity are not narrowing

Gap to the upper half of OECD countries[4]



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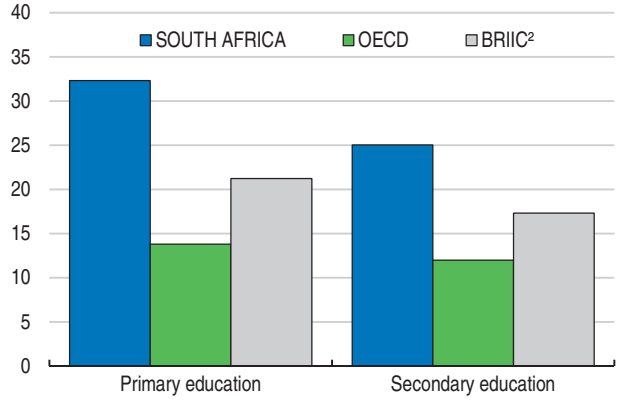
Policy indicators

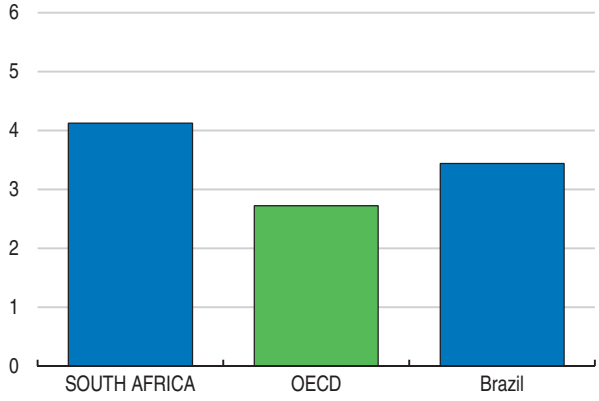
A. The pupil-teacher ratio is very high[1]

2014



B. Competition in network industries is weak

Index scale of 0-6 from least to most restrictive, 2013



1. The pupil-teacher ratio is calculated by dividing the number of students at the specified level of education by the number of teachers at the same level of education. For secondary education, data refer to 2009 for South Africa.
2. Average of Brazil, the Russian Federation, India, Indonesia and China.

Source: Panel A: World Bank, *World Development Indicators database*; Panel B: OECD, *Product Market Regulation Database*.

StatLink http://dx.doi.org/10.1787/888933455752

level to help investors with the procedures required to start up and run a business, and provide streamlined access to registration and authorisation processes.

Recommendations: Significantly reduce red tape and other administrative burdens on business operations. Reduce the severity of bankruptcy rules, in particular severance payments, to facilitate second chances for entrepreneurs. Undertake regulatory impact assessments systematically for all new legislation and review existing legislation with a view to reducing regulatory burden.

Enhance competition in network industries. More competition in network industries would bring prices down, increase access and stimulate productivity growth and firms' competitiveness.

Actions taken: From May 2016, legislative amendments to criminalise cartel conduct became effective.

Recommendations: Rule out granting state-owned enterprises exemptions from the competition laws. Secure effective separation of generation, transmission and distribution of electricity. Strengthen the independence of network regulators. Unbundle the divisions of the state-owned transport conglomerate Transnet and open access to public infrastructure to private service providers.

Raise efficiency and equity in education. Improving equity and quality of education would boost human capital accumulation and reduce the high levels of inequality.

Actions taken: In 2016, additional funding for infrastructure under the Education Infrastructure Grant and Accelerated Schools Infrastructure Delivery Initiative were decided along with acceleration in programmes to upgrade school infrastructures. Also, the financing of National Education Collaboration Trust (NECT), a public-private partnership devoted to improve the school system performance, has been scaled up.

Recommendations: Improve teacher training, enhance accountability and increase monitoring of school leadership. Teach English as a second language earlier, while maintaining mother-tongue instruction for longer. Upgrade infrastructure. Gradually phase out school fees in the public primary school system. Expand vocational education and training.

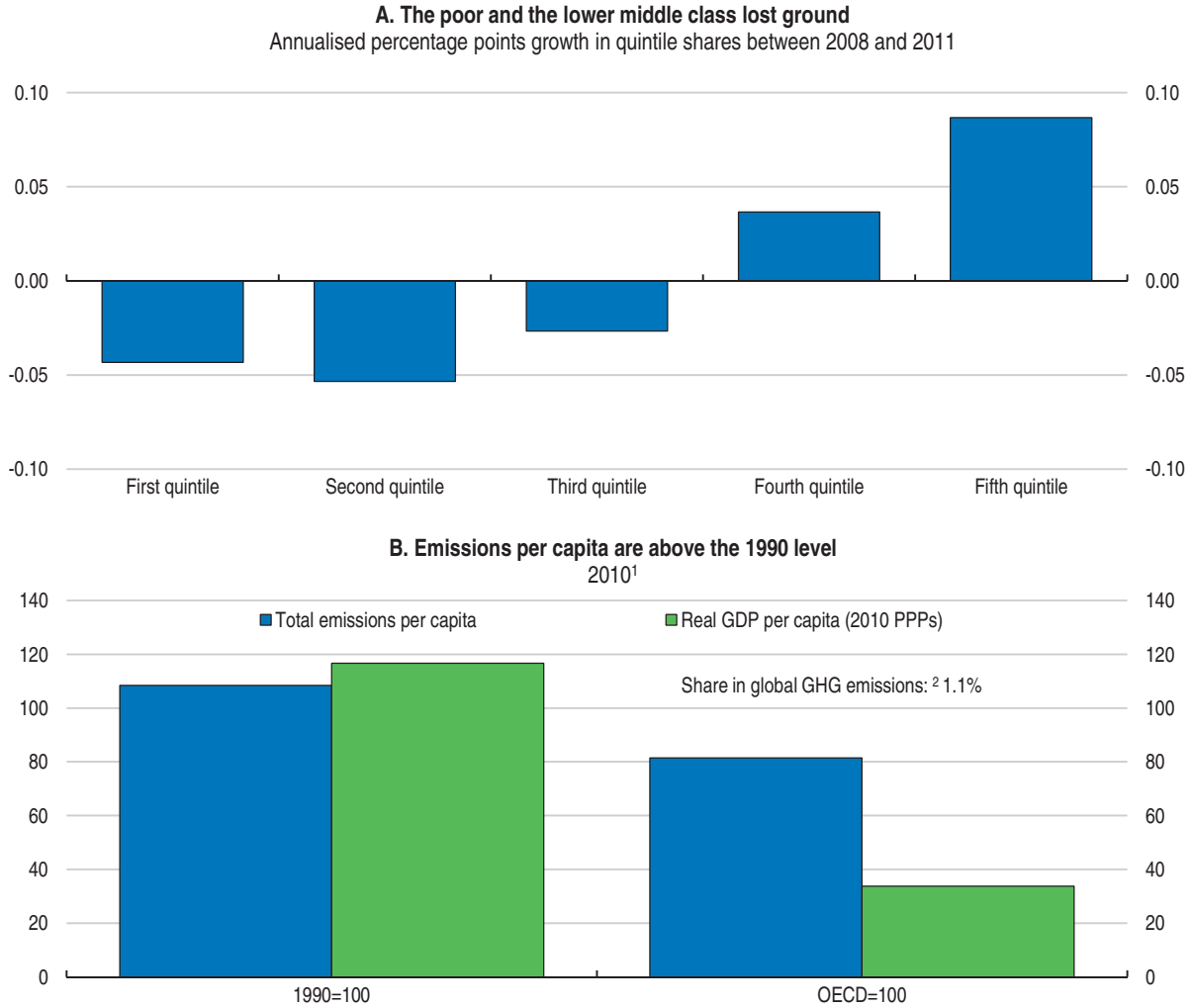
Strengthen active labour market policies to tackle unemployment. High youth unemployment threatens social cohesion and erodes human capital.

Actions taken: The employment tax incentive was introduced in 2014 with a sunset clause in 2016. Work to quantify the exact impacts – particularly on employment and labour market outcomes of youth – was completed in 2016 and the employment tax incentive has been extended up to February 2019.

Recommendations: Expand placement assistance for young job-seekers and support for young entrepreneurs focused on management training. Establish a public employment service as a one-stop shop for job seekers to lower the cost of job search and hiring costs for employers, which would improve the matching of workers to jobs.

SOUTH AFRICA

Beyond GDP per capita: Other policy objectives



1. Total GHG emissions in CO_2 equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: World Bank, *World Development Indicators database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933456219

SPAIN

- The gap in GDP per capita relative to the most advanced OECD countries is large. Potential GDP per capita growth has fallen since the crisis owing to a lower trend employment rate and sluggish total factor productivity growth.
- Inequality as measured by the Gini coefficient has increased from 2008 to 2013 and is above the OECD average. This has been partly driven by the increase in unemployment and the fall in the share of income going to the poorest share of the population.
- Wage moderation has increased in recent years. Thus, making wages more responsive to economic and firms' conditions is no longer considered a current priority. The government has strengthened activation policy in 2015 and 2016 via higher spending and greater conditionality as well as implemented a new framework agreement for public private partnerships in intermediation. An education reform enacted in 2013 aimed at tackling early school drop-out rates has continued to be rolled out in 2015/2016.
- Continuing to shift the tax burden from direct to indirect taxes and narrowing exemptions would improve further the growth friendliness and efficiency of the tax system. Improving access to vocational and higher education as well as the labour market content of programmes would boost skills and productivity. Further reducing barriers in service sectors would bring employment and productivity gains.
- Higher taxes on environmentally damaging activities will make the tax system more efficient and help reduce pollution.

Going for Growth 2017 priorities

****Improve the efficiency and progressivity of the tax system.****[1] Despite the 2014 tax reform, revenue still relies heavily on labour taxes and there are exemptions to the income tax that benefit mostly the better-off.

Recommendations: Further reduce the labour tax wedge on low-wage workers on both permanent and temporary contracts. Broaden the tax base by narrowing exemptions to the income, corporate, VAT and environmental taxes. Improve VAT administration and enforcement. Increase environmental taxes, including taxes on road transport fuel and the per-litre tax on diesel to at least the level of the tax on gasoline.

Improve access to vocational and higher education and ensure that associated programmes adapt to labour market needs. School drop-out rates, while have fallen, remain high and higher education programmes are ill adapted to job market needs, reducing workers' employability and productivity.

Actions taken: The 2013 reform of the education and training system (LOMCE) that aims at improving schooling performance and curb early school drop-outs continued to be rolled out in 2015/16. As part of the LOMCE, basic vocational education training (VET) programmes for 15 year-olds are being introduced to make vocational education an attractive alternative to early drop out and a new dual VET system was introduced.

Recommendations: Improve student performance by improving the quality of teaching through adequate university training for teachers and on-the-job training. Continue the development and modernisation of VET, expand dual VET and ensure greater role of

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

SPAIN

Growth performance and inequality indicators

A. Growth

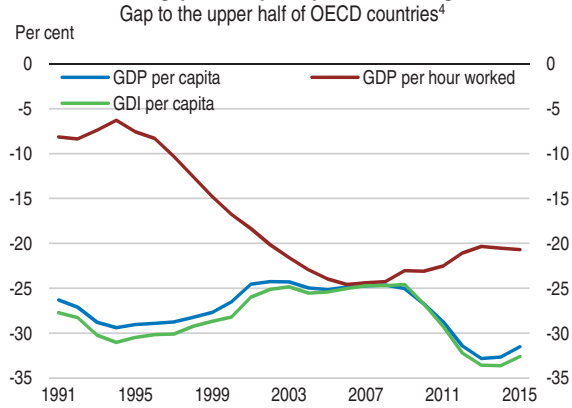
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		0.4	-0.2
Labour utilisation		0.1	-1.1
of which:	Labour force participation rate	1.3	-0.1
	Employment rate[1]	-1.2	-0.9
	Employment coefficient[2]	0.0	-0.2
Labour productivity		0.5	1.1
of which:	Capital deepening	1.3	1.1
	Total factor productivity	-0.8	0.1
Dependency ratio		-0.2	-0.2

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	34.6 (31.7)*	0.4 (0)*
Share of national disposable income held by the poorest 20%	6.1 (7.7)*	-0.2 (0)*

** OECD average*

C. The gap in GDP per capita remains large
Gap to the upper half of OECD countries[4]



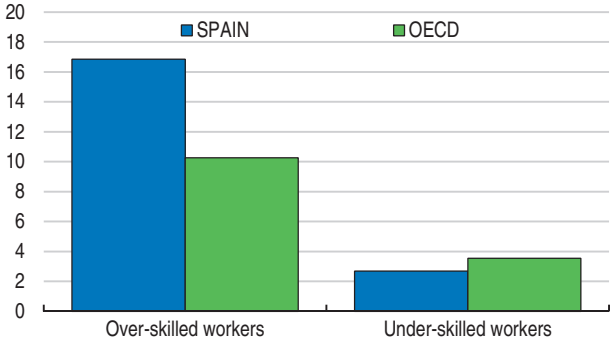
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

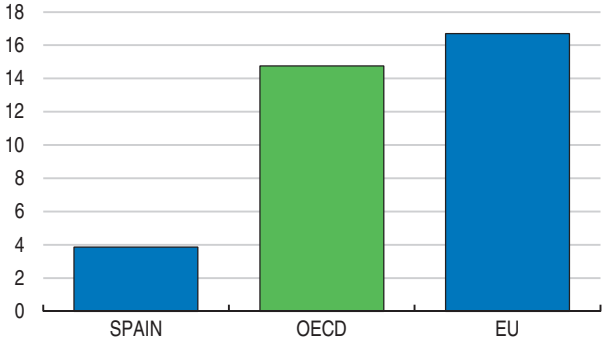
StatLink http://dx.doi.org/10.1787/888933455307

Policy indicators

A. The proportion of workers in jobs for which they are overskilled is high[1]
Percentage of over- and under-skilled workers in literacy, 2012



B. Active labour market policies are underdeveloped
Public expenditure per unemployed, as a percentage of GDP per capita, 2014[2]



1. Over- (under-) skilled workers are those whose proficiency score is higher (lower) than that corresponding to the 95th (5th) percentile of self-reported well-matched workers in their country and occupation.
2. Data refer to 2013 for Spain.

Source: Panel A: OECD (2013), *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*; Panel B: OECD, Public expenditure and participant stocks on LMP and Economic Outlook Databases.

StatLink http://dx.doi.org/10.1787/888933455761

employers in designing curricula and training students. Increase university specialisation. Do not reduce average university grants until other financing alternatives, such as loans with income-contingent repayments, are available.

Strengthen active labour market policies. Without effective activation and training, the long-term unemployed are at risk of labour market and social exclusion.

Actions taken: Since 2014 policy actions to improve the framework for activation are being implemented, including stronger conditionality in the allocation of funds to regions based on the evaluation of results, streamlining services to jobseekers, providing training closer to labour market needs, and more individualised assistance by the public employment services. In 2015, the new framework agreement for public private partnerships in intermediation services started to operate. An action programme to improve assistance to the long-term unemployed started to be implemented in 2016.

Recommendations: Continue boosting resources and efforts to improve the efficiency of public employment services to effectively improve the delivery of activation policies. Make effective the 2015 reform of the training system for the unemployed, introduce systematic evaluation of training schemes and evaluate wage subsidies. Re-skill the long-term unemployed via the VET system and second-chance schools.

Reduce labour market duality. A high and persistent share of temporary jobs increases unemployment risks, especially for youth, and reduces productivity.

Actions taken: No action taken.

Recommendations: Pursue greater convergence of termination costs between permanent contracts and temporary contracts.

Lower entry barriers in non-manufacturing industries. High regulatory barriers to entry in certain sectors, such as professional services or maritime transport, hold back productivity and job creation.

Actions taken: No action taken.

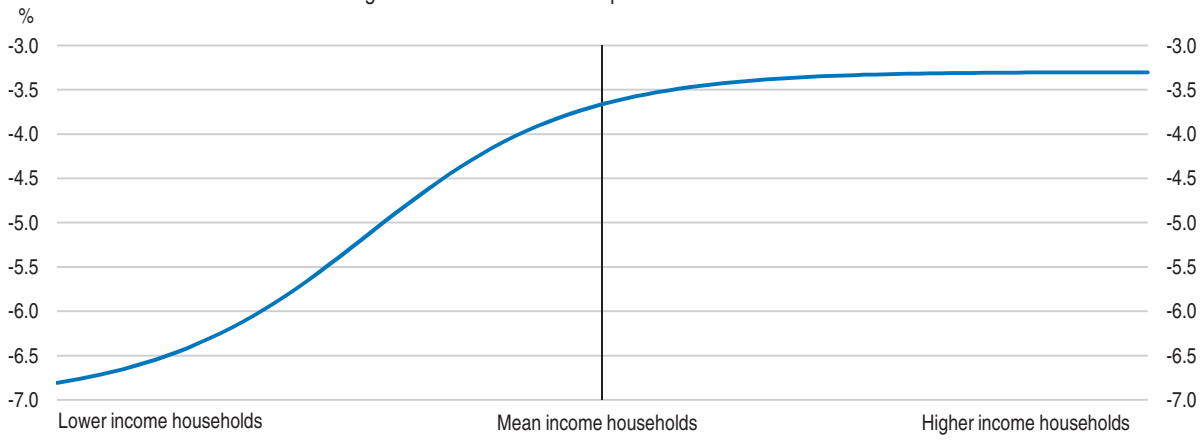
Recommendations: Reduce the number of professions requiring membership in a professional body and the cost of membership. Reduce regulatory barriers to entry in rail and maritime transport. Speed up the sectorial adaptation of the Market Unity Law and its full implementation to all economic activities.

SPAIN

Beyond GDP per capita: Other policy objectives

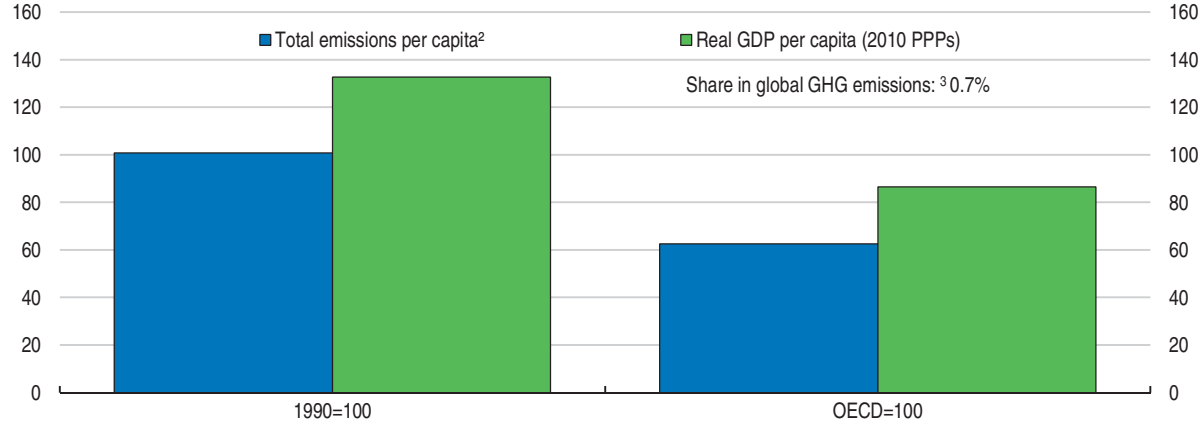
A. Income fell for all households, but relatively more for those at the lower end of the distribution

Annualised growth in real household disposable income between 2008 and 2013[1]



B. Emissions per capita are at the 1990 levels and remain below OECD average

Average 2010-14



1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2008 and 2013. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
2. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933456224

SWEDEN

- Relatively strong GDP growth has been accompanied by high migration and population growth. GDP per capita is therefore just slightly above its 2008 level, and has stayed fairly constant compared to most advanced OECD countries. Productivity in Sweden has fallen compared to the best-performing countries since the mid-2000s, but has levelled out for the past half-decade. Labour force participation continued to grow, and employment losses were relatively limited during the downturn.
- Inequality of disposable income has risen since 2008, largely driven by changes in taxes and benefits. The lowest 20% income share has fallen, as less generous benefits have reduced income disproportionately for the poorest households.
- Macro-prudential policies and some supply-side measures have been implemented, but have so far not curbed house prices and credit growth sufficiently. Already comprehensive migrant integration policies have been improved further, but the scale of humanitarian and family reunion immigration, together with a high skills gap related to natives, calls for continuous efforts to co-ordinate policies and better tailor measures to individual needs. Previous tightening of disability has reduced inflows, and this reform area is no longer considered a priority in *Going for Growth*.
- Improving school results and integration, including by lowering labour market entry barriers, is necessary to keep the employment rate high and avoid increasing inequality further. More efficient housing and rental markets would increase labour mobility and enhance productivity. Shifting the composition of the tax structure could increase its efficiency in an equity-friendly way.
- The economic burden of environmental regulations could be lowered without efficiency loss by harmonising the cost of similar emissions from different sources and streamlining environmental regulations and procedures.

Going for Growth 2017 priorities

Enhance migrant integration.[*1] Humanitarian and family reunion immigrants to Sweden, notably women, are on average less educated than natives, and face language and cultural barriers.

Recommendations: Adapt language training, education, subsidised work and recognition of foreign competencies to individual needs, and co-ordinate them between municipalities and the Public Employment Service. Address barriers to employment posed by high entry wages and strict employment protection, and increase the involvement of the social partners and civil society.

Reduce housing market distortions. Overly rigid planning and rental regulations impede labour mobility, reduce competition in construction and increase the risk of financial and macroeconomic imbalances.

Actions taken: To contain financial risks, the Financial Supervisory Authority has introduced several macro-prudential policies in 2015 and 2016. Planning regulations have been eased somewhat, and the government has started a programme to subsidise the construction of rental apartments and enhance incentives for municipalities to allow building.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

SWEDEN

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		0.9	1.8
Labour utilisation		-0.6	0.4
of which:	Labour force participation rate	-0.1	0.2
	Employment rate[1]	-0.3	0.2
	Employment coefficient[2]	-0.2	0.1
Labour productivity		1.1	1.4
of which:	Capital deepening	0.4	-0.5
	Total factor productivity	0.8	1.9
Dependency ratio		0.3	0.0

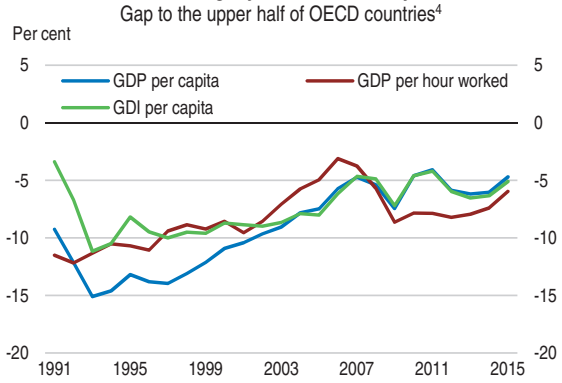
B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	28.1 (31.7)*	0.4 (0)*
Share of national disposable income held by the poorest 20%	8.7 (7.7)*	-0.1 (0)*

** OECD average*

C. The small gaps in GDP per capita and productivity have slightly narrowed recently

Gap to the upper half of OECD countries[4]



1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
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3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

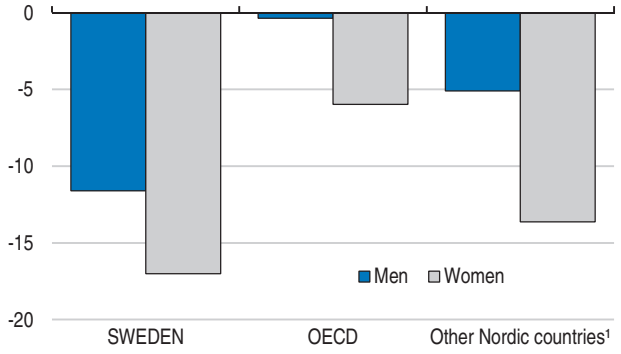
Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

StatLink http://dx.doi.org/10.1787/888933455310

Policy indicators

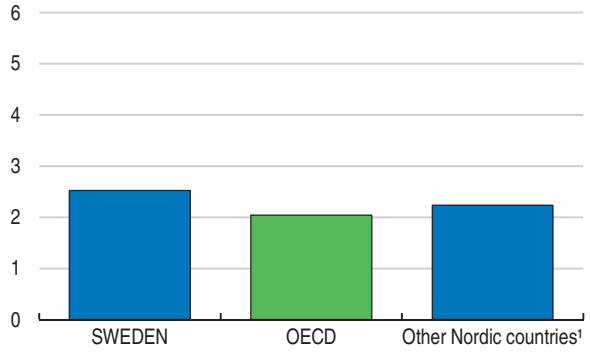
A. The employment rate is influenced by the place of birth

Percentage points difference to native-born, 2015



B. Employment protection on regular contracts is restrictive

Index scale of 0-6 from least to most restrictive, 2013



1. Average of Denmark, Finland and Norway.

Source: Panel A: OECD, *Migration Statistics Database*; Panel B: OECD, *Employment Protection Legislation Database*.

StatLink http://dx.doi.org/10.1787/888933455777

SWEDEN

Recommendations: Ease planning and rental regulations and phase out mortgage interest deductibility to help contain the rise in housing prices and household debt, improve financial and macroeconomic stability and access to housing.

Improve the efficiency of the tax structure. High marginal taxes on above-average income reduce incentives to work longer and weaken productivity growth.

Actions taken: No action taken.

Recommendations: Cut marginal tax rates on above-average earnings by shifting part of the tax burden towards recurrent taxes on immovable property and inheritance tax, and by removing VAT exemptions.

Increase the efficiency of the education system. School results, as measured by PISA and other international tests, have fallen rapidly over the past decade, even though some improvement is visible in the most recent surveys.

Actions taken: Several policies were introduced in 2015 and 2016, notably to improve results in reading and mathematics, and to strengthen education and career progression for teachers.

Recommendations: Improve career prospects and work-life balance for teachers to attract the best talents. Develop systems to improve low-performing schools. Enhance education and career counselling and match education supply better with the needs of employers. Encourage shorter completion times in tertiary education.

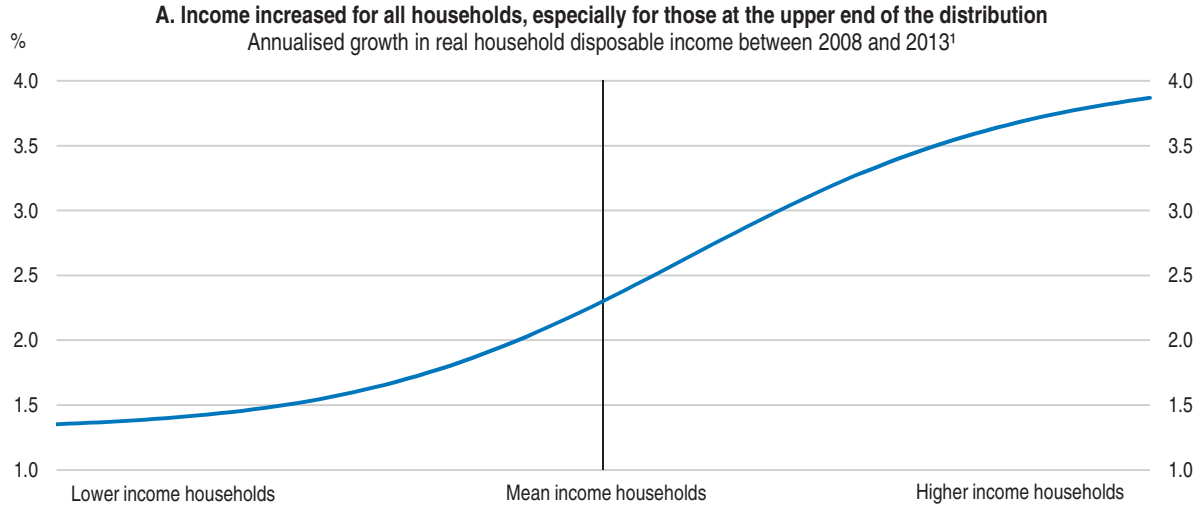
Reform job protection for permanent contracts. Relatively stringent job protection for permanent contracts raises concerns about labour reallocation, productivity growth and exclusion of vulnerable groups such as migrants.

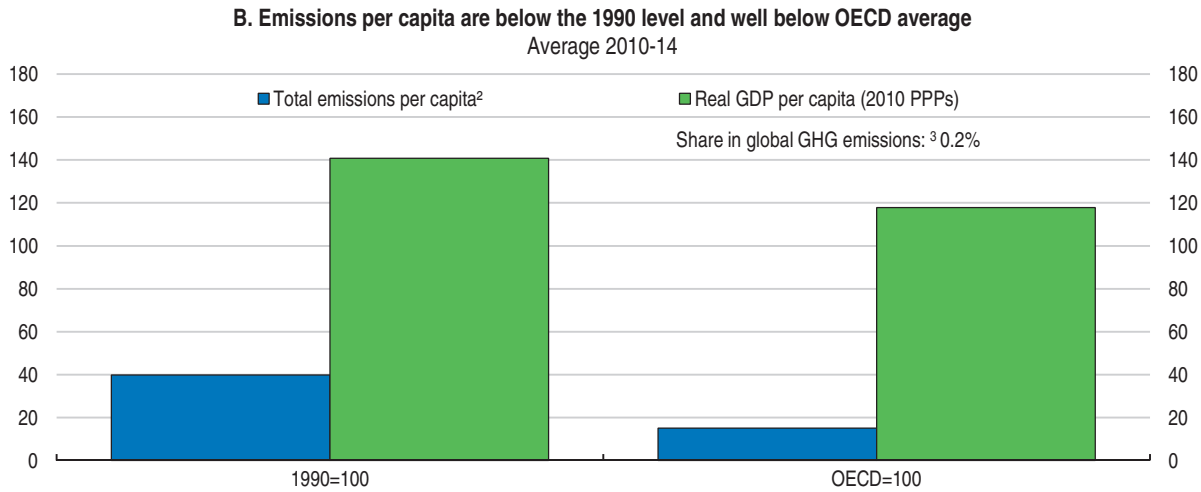
Actions taken: No action taken.

Recommendations: Reduce stringency in areas that unduly hinder productivity enhancements, such as the "first in, last out" rule, obligations related to internal reassignment and the priority for dismissed workers to be re-hired following justified individual or collective dismissal. Engage with social partners to reform employment regulations in the industries in which they are tightened by collective agreements.

SWEDEN

Beyond GDP per capita: Other policy objectives





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StatLink http://dx.doi.org/10.1787/888933456237

SWITZERLAND

- While GDP per capita is relatively high in Switzerland, growth in potential output is being held back by low productivity growth, reflecting weak investment. Higher average hours worked puts GDP per capita more than 10% above the average of the advanced OECD countries while productivity per hour worked is lagging.
- Inequality in Switzerland declined over the period 2009-13, which puts the country in an even more favourable position in comparison with the OECD average. The Gini coefficient declined by 0.1 percentage point per year, and the share of income held by the poorest slightly increased.
- The foreseen reduction in the agriculture budget for the period 2018-21 is welcome, notably the cut in direct producer support. A convention between the federal state and cantons, which aims at improving labour force participation and promoting vocational training for older workers, women and migrants, was signed in mid-2015.
- Looking forward, the strength growth largely depends on the ability to revive productivity growth. Workers' skills could be improved by lifting education outcomes including by facilitating access to pre-schools (in particular for migrants) and better supporting disadvantaged university students. Both of these recommendations would also help to make growth more inclusive. Providing more childcare facilities, switching to individual taxation and changing corporate practices would facilitate full-time work by women, contributing thereby to raise labour utilisation. Increasing the share of indirect taxes could also lift growth, thereby boosting labour utilisation and productivity. Increasing ageing-related public spending endangers the ability of the government to maintain its agenda, reinforcing the need to focus on efficiency of expenditures, especially in education, health and pensions.
- Eliminating price support in agriculture and taxing polluting inputs and outputs would accelerate the transition to a sustainable agriculture sector.

Going for Growth 2017 priorities

Improve access and equity in education. Skills shortages, low enrolment in tertiary education and weak outcomes of pupils from low socio-economic background (especially migrants) limit growth in the long term.

Actions taken: A convention between cantons and the Confederation to reinforce the Skilled Workers Initiative (started in 2011) was signed in June 2015. It aims at promoting labour force participation (including for women), at maintaining employment of older workers, improving labour market and vocational training and increasing the participation rate of migrants. Ongoing projects include a global website (*www.personnelqualifie-suisse.ch*), a programme to improve the match between apprenticeship supply and demand (Match-Prof) and more inclusiveness in university recruitment.

Recommendations: Step up public funding of pre-schools, and increase immigrant participation by introducing targeted pre-school cash support. Consider teacher-training programmes focusing on helping teachers develop practical remedial skills. Improve access to tertiary education for students from lower socio-economic and immigrant backgrounds through special financial support (e.g. means-tested grants).

Reduce producer support to agriculture. Producer support to agriculture is high and multiform. It has adverse effects on productivity, trade negotiations, the budget and the environment.

SWITZERLAND

Growth performance and inequality indicators

A. Growth

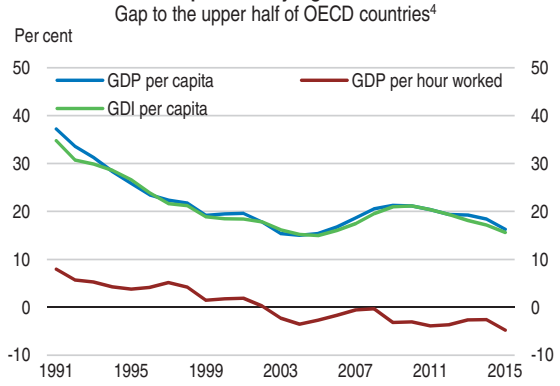
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		1.4	0.6
Labour utilisation		0.4	0.4
of which:	Labour force participation rate	0.3	0.2
	Employment rate[1]	0.0	0.0
	Employment coefficient[2]	0.1	0.2
Labour productivity		0.9	0.2
of which:	Capital deepening	-0.1	-0.1
	Total factor productivity	1.0	0.3
Dependency ratio		0.2	0.0

B. Inequality

	Level	Annual variation (percentage points)
	2013	2009-13
Gini coefficient[3]	29.5 (31.7)*	-0.1 (0)*
Share of national disposable income held by the poorest 20%	8.6 (7.7)*	0.1 (0)*

** OECD average*

C. GDP per capita is one of the highest in the OECD but productivity lags behind
Gap to the upper half of OECD countries[4]



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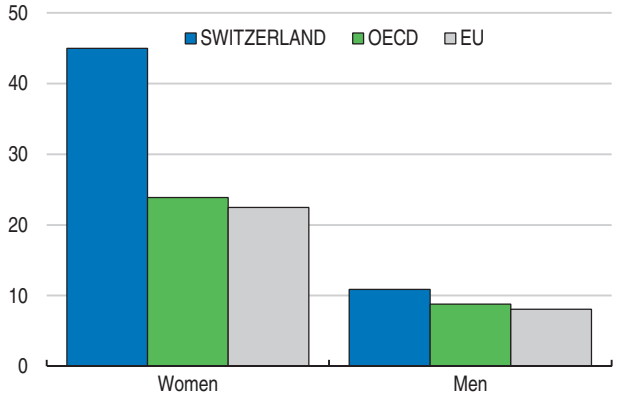
Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

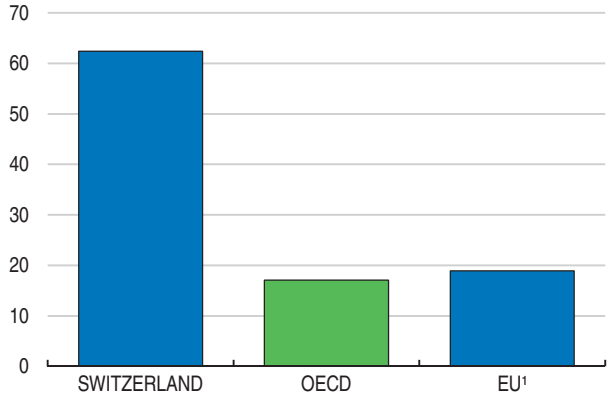
StatLink http://dx.doi.org/10.1787/888933455323

Policy indicators

A. Part-time jobs are widespread among women
Percentage of total employment, 2015



B. Producer support to agriculture is very high
Percentage of farm receipts, 2015



1. For this measure, EU refers to all 28 members of the European Union.

Source: Panel A: OECD, *Labour Force Statistics Database*; Panel B: OECD, *Producer and Consumer Support Estimates Database*.

StatLink http://dx.doi.org/10.1787/888933455780

SWITZERLAND

Actions taken: In May 2016, the government announced that the proposed agriculture budget for 2018-21 will be 3.7% lower than for 2014-17 (about CHF 514 million): direct support will be cut by CHF 60 million, contributions for ensuring the food supply by CHF 40 million and support to investment by CHF 30 million.

Recommendations: Eliminate all forms of farm price support, and make all direct payments conditional on environmental outcomes. Consider introducing a tax on inputs (fertilisers) or outputs (methane from livestock) which are polluting, and end farmers' exemption from the mineral oil tax. Remove impediments to shifting agricultural land to other uses, including removing impediments to structural change in land law, especially inheritance rules favouring passing on farms between generations. Further lower protectionist measures in agricultural trade.

Reform the tax system. The prevalence of direct compared to indirect taxation impedes labour utilisation and allocative efficiency, hence harming labour productivity.

Actions taken: On 17 June 2016, the Swiss Parliament approved a bill on Corporate Tax Reform, notably to remove preferential tax regimes and to conform to international norms. To maintain attractiveness, the law includes the introduction of a patent box, tax deductions for R&D and notional interest rate deduction; several cantons will also revise down their corporate tax rates (for instance Vaud from 22% to 13.78%, Geneva from 24% to 13%). A referendum will be organised on 12 February 2017 which may cancel the law.

Recommendations: Increase the standard value-added tax rate, and remove exemptions from it. Lower personal income taxes, and introduce a CO_2 levy on transport fuels, combined with a variable congestion charge.

Increase public sector efficiency. Future spending needs will rise, challenging the current solid fiscal position and putting a premium on spending efficiency, notably in education, healthcare and pensions.

Actions taken: No action taken.

Recommendations: Switch the system for setting generic drug prices to reimbursing a pre-determined fixed amount. Encourage systematic benchmarking of hospital costs, and consider new legislation to control them. Fix the retirement age at 65 for both sexes and thereafter link it to life expectancy; to cut early retirement, reduce existing incentives, and pay a larger pension premium for those who choose to work longer.

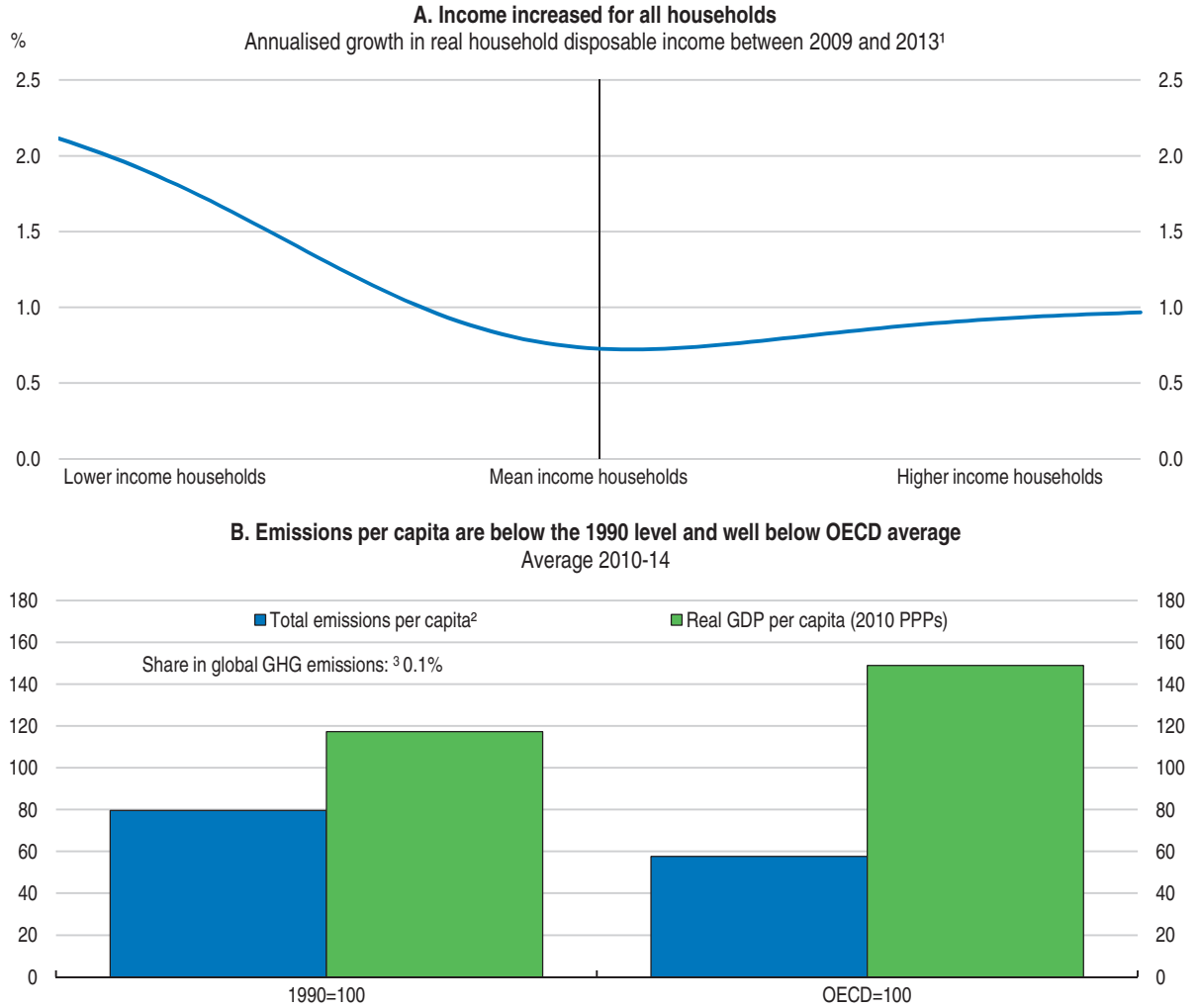
Facilitate full-time labour force participation of women. The cost of childcare, dissuasive second-earner taxation, weak corporate culture of gender diversity and a positive wage gap contribute to women's high incidence of part-time work.

Actions taken: No action taken.

Recommendations: Increase public spending on childcare and amend regulations to increase the range of price-quality choices available. Implement a corporate governance code establishing gender goals in management. Set ambitious company board targets combined with the "Comply or Explain" practice or by setting quotas. Move from joint to individual tax assessment of spouses' income.

SWITZERLAND

Beyond GDP per capita: Other policy objectives



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Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

StatLink http://dx.doi.org/10.1787/888933456248

TURKEY[1]

- The income gap relative to most advanced OECD countries continues to narrow. Rising labour force participation and job creation, mostly in service sectors, have strongly improved labour utilisation.
- Income inequality diminishes despite limited redistribution through taxes and transfers. Broad-based job creation for the low-skilled, including in less advanced regions, has contributed to reduce absolute poverty but the share of income held by the poorest 20% still remains below the OECD average.
- Progress has been very limited on *Going for Growth 2015* priorities, as the reforms intended in the 10th National Development Plan 2014-18 were not implemented amid four national elections over 2014-15. An ambitious Action Plan which included several reform priorities was launched in January 2016. Temporary work agency services started to be liberalised with a new law adopted in May 2016.
- Key education, labour and product market reforms are necessary to catch-up with good OECD regulatory practices. Upskilling the labour force and easing the shift of low-skilled workers from low-productivity informal to high-productivity formal firms would significantly boost average labour productivity, human capital formation and social inclusion.
- Progress with the transparency of environmental externalities and the level-playing enforcement of environmental regulations across all manufacturing, services and agricultural activities would help make growth greener.

Going for Growth 2017 priorities

Improve educational achievement at all levels. Student enrolment rates are increasing at all levels, but there is ample scope to improve quality and equity.

Actions taken: Several quality improvement projects have been implemented, in particular in vocational education. Between 2010 and 2016, 972 ordinary high schools were upgraded to higher quality Anatolian High Schools and 579 high schools to Vocational and Technical Schools. The autonomy of schools and the transparency of their performance remain very limited.

Recommendations: Reduce the wide quality gaps persisting among schools, school types and universities, by granting them more autonomy and resources per student, against greater performance accountability. Further develop pre-school education. Continue to strengthen vocational education in co-operation with the business sector and evaluate the outcomes of the many recent initiatives in this area.

Reduce the cost of employment of the low-skilled. High minimum costs of labour for formal employers discourage the hiring of the low-skilled in the formal sector.

Actions taken: Following an election promise, the minimum wage, already the highest in the OECD as a share of the median wage, was increased by 30% in January 2016. The government is bearing up to 40% of the cost increase for employers during the first year. In December 2015, temporary social security contribution cuts for female and young workers were extended.

Recommendations: Keep the growth of the official minimum wage below average productivity gains for a while. Allow regional differentiation of minimum wages through local consultations between government, employer and employee representatives. Grant

1. Based on the revised National Accounts series as of 31/01/17.

TURKEY

Growth performance and inequality indicators

A. Growth

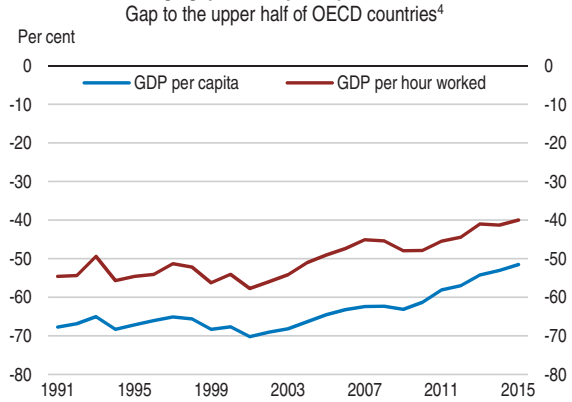
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		3.1	6.0
Labour utilisation		-0.1	2.4
of which:	Labour force participation rate	0.5	1.8
	Employment rate[1]	-0.6	0.5
	Employment coefficient[2]	0.0	0.0
Labour productivity		2.8	2.9
Dependency ratio		0.4	0.7

B. Inequality

	Level	Annual variation (percentage points)
	2013	2007-13
Gini coefficient[3]	39.3 (31.7)*	-0.2 (0)*
Share of national disposable income held by the poorest 20%	6.1 (7.7)*	0 (0)*

** OECD average*

C. The large gap in GDP per capita has narrowed
Gap to the upper half of OECD countries[4]



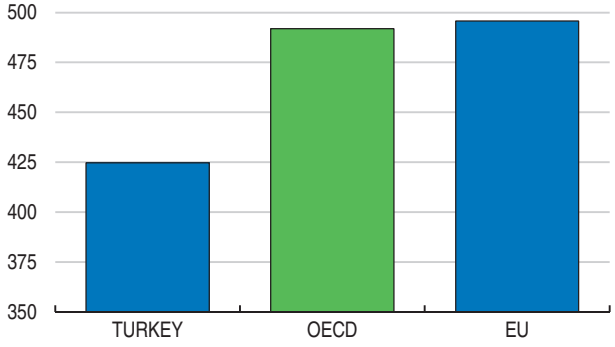
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database*; Panel C: OECD, *National Accounts and Productivity Databases*.

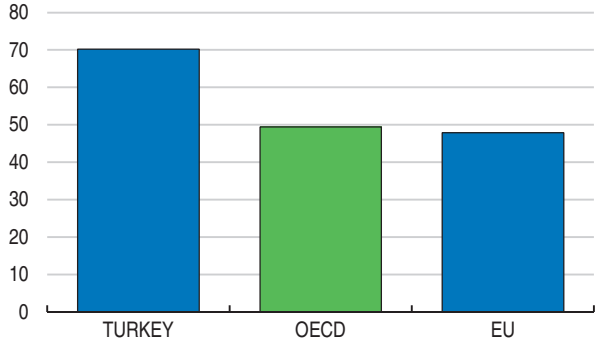
StatLink http://dx.doi.org/10.1787/888933455330

Policy indicators

A. Student performance is lagging
Average of PISA scores in mathematics, science and reading, 2015



B. The minimum cost of labour is comparatively high
Percentage of minimum cost of labour to cost of median worker,[1] 2015



1. The cost of labour is the sum of the wage level and the corresponding social security contributions paid by employers.

Source: Panel A: OECD, *PISA Database*; Panel B: OECD, *Employment Outlook and Taxing wages Databases*.

StatLink http://dx.doi.org/10.1787/888933455790

TURKEY

further social contribution cuts for low-skilled workers in the entire country, financing them by widening the tax base.

Reform employment protection legislation and strengthen active labour market policies. Existing employment protection rules for permanent and temporary workers nurture a large informal sector.

Actions taken: Temporary work agency contracts were partly liberalised in 2016. Transition to portable severance saving accounts, as scheduled in the 2016 Government Action Plan, was delayed. Participation in the *on-the-job* training schemes financed by the Unemployment Insurance Fund increased strongly.

Recommendations: Implement the labour market reforms programmed in the 2016 Action Plan of structural reforms. Replace the costly severance payment regime (available only for a minority of formal sector workers). Liberalise fixed-term contracts. Improve the social safety net for displaced workers by making public support for retraining and job search more reliable for those out-of-work.

Improve competition in network industries and agriculture. Obstacles to competition in network sectors and in agricultural markets undermine productivity growth.

Actions taken: Eligible consumer thresholds for access to competitive purchasing were further reduced in 2015 for gas, and in 2015 and 2016 for electricity. Implementation of regulations for the opening of rail freight transportation to competition are being completed.

Recommendations: Identify the remaining obstacles to the opening of network sectors to competition, with the help of an OECD Competition Assessment Review. Delink agricultural support from production and shift its composition away from price measures towards direct support.

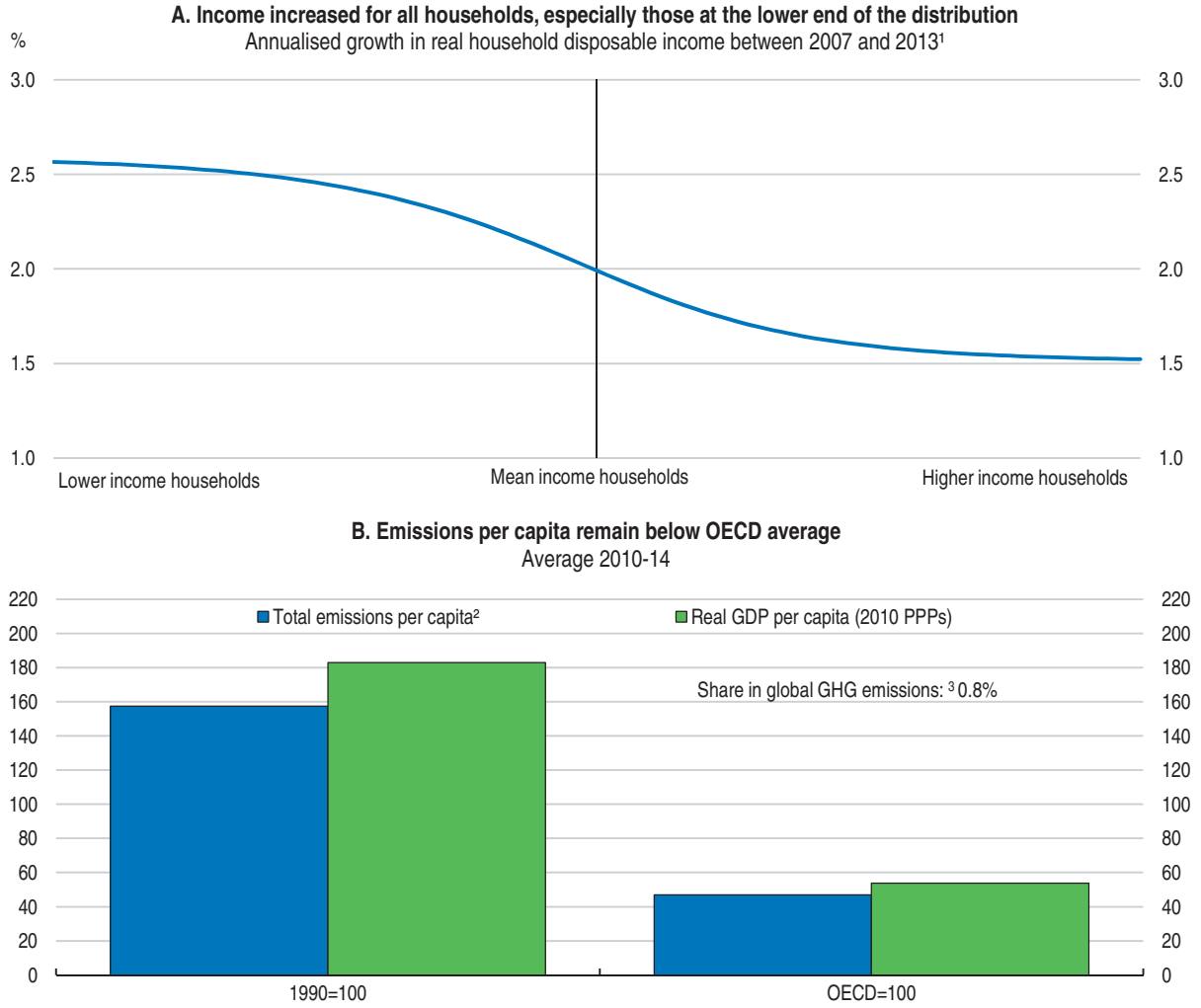
Encourage formal work at older ages. The average retirement age of formal sector workers is around 50. The phasing in of pension reforms is very gradual, creating disincentives to formal work at older ages.

Actions taken: The implementation of the 2013 Strategy to Fight the Informal Economy had a very limited impact on informal work at older ages. The 2016-18 Medium-Term Economic Programme reiterated the objectives of this strategy.

Recommendations: Make continuing work in the formal sector after official retirement age more attractive and actuarially neutral. Speed up increases in the statutory retirement age. Establish a health insurance contribution for young retirees.

TURKEY

Beyond GDP per capita: Other policy objectives



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StatLink http://dx.doi.org/10.1787/888933456254

UNITED KINGDOM

- The gap in GDP per capita relative to most advanced OECD countries has narrowed in recent years, driven by greater labour utilisation. Labour productivity growth remains however weak.
- Income inequality is above the OECD average but has fallen somewhat recently. The share of national income held by the poorest 20%, still below the OECD average, slightly increased.
- Some action has been taken in all recommended reforms in *Going for Growth 2015*, in particular on development and long-term infrastructure planning. Spending-based fiscal consolidation has lifted efficiency gains in public sector administration, leading to a removal of the priority identified in 2015.
- Greater spending on education and training would raise skills and enhance productivity, allowing for higher wages. Higher housing supply would improve labour mobility and reduce skill mismatches, resulting in additional income gains. More investment in research and development and higher infrastructure provision would support technical progress and boost the capital stock, also enhancing progress in living standards.

Going for Growth 2017 priorities

Improve skills. Adults have lower literacy and numeracy skills than the OECD average and the proportion of younger people in England with low skills is higher than the proportion of people nearing retirement age.

Actions taken: To boost the development of vocational skills, the authorities adopted legislation to phase in an apprenticeship levy on large businesses from April 2017. Since 2013, Maths and English study programmes are provided to all 16 to 19 year-old students who have not, by the age of 16, achieved at least a minimum grade in these subjects.

Recommendations: Encourage the expansion of high quality postsecondary vocational programmes. Better align programmes and policies to local economic development through further decentralisation of funding for skills programmes and by further involving employers. Support lifelong learning of low-skilled workers to ensure that their productivity can adjust to planned raises in the National Living Wage.

Strengthen work incentives and active labour market policies. Spending on active labour market policies is below the OECD average and the share of all unemployed and not in education, employment nor training (NEET) youth is above the OECD average.

Actions taken: Universal Credit, a welfare reform aimed at increasing work incentives, has been introduced progressively, but at a measured pace. Access to free childcare will broaden gradually from September 2016, which should support work incentives for parents.

Recommendations: Implement the Universal Credit and monitor its effectiveness in moving people to employment. Raise spending on active labour market policies, in particular for 15 to 19 year-olds, and improve their efficiency by fostering competition among contracted providers, better profiling customers and developing a performance measurement system based on jobseeker features and local labour markets.

Enhance housing supply. Stringent planning regulation complicates new construction, and weak housing supply reduces affordability and the matching of skills to jobs, which in turn weakens productivity.

UNITED KINGDOM

Growth performance and inequality indicators

A. Growth

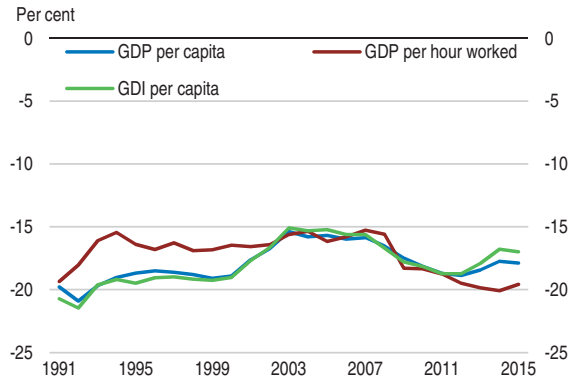
Average annual growth rates (%)		2003-09	2009-15
GDP per capita		0.2	1.2
Labour utilisation		-0.3	0.6
of which:	Labour force participation rate	0.2	0.2
	Employment rate[1]	-0.5	0.4
	Employment coefficient[2]	0.0	0.0
Labour productivity		0.4	0.8
of which:	Capital deepening	1.1	0.1
	Total factor productivity	-0.8	0.7
Dependency ratio		0.1	-0.1

B. Inequality

	Level	Annual variation (percentage points)
	2013	2008-13
Gini coefficient[3]	35.8 (31.7)*	-0.2 (0)*
Share of national disposable income held by the poorest 20%	7.2 (7.7)*	0.1 (0)*

** OECD average*

C. The gap in GDP per capita has not changed much
Gap to the upper half of OECD countries[4]



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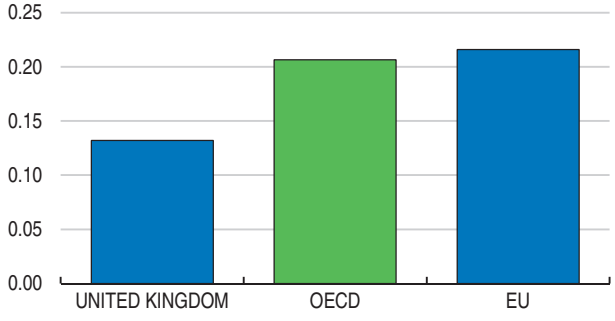
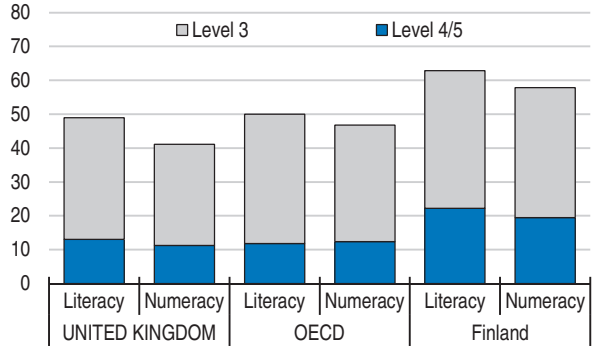
StatLink http://dx.doi.org/10.1787/888933455340

Policy indicators

A. Government expenditure on R&D is low
Percentage of GDP, 2014



B. Adults have lower skills than in other OECD countries
Percentage of adults scoring at proficiency levels,[1] 2012



1. PIAAC level of proficiency in literacy is defined by particular score-point ranges and the level of difficulty of the tasks within these ranges. Adults scoring at proficiency level 1 or below are only able to perform basic arithmetic operations with whole numbers, whereas adults attaining the highest scores have proven to master analysis and more complex reasoning about quantities and data (level 4) or the ability to draw inferences and work with mathematical arguments and models (level 5).

Source: Panel A: OECD, *Science and Technology Indicators Database*; Panel B: OECD (2013), *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*.

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UNITED KINGDOM

Actions taken: The government has announced a set of planning reform measures to improve the process for reviewing and updating local plans and to reduce excessive pre-commencement planning conditions after the release of planning permissions. The planned construction of 400,000 new affordable homes by 2020, announced in November 2015, will help to alleviate supply shortages.

Recommendations: Further relax regulatory constraints to release more land for housing, in particular by thoroughly reviewing the boundaries of protected areas of the Green Belt and by easing skyline restrictions. Enhance the provision of social housing where private sector activity is insufficient to promote greater equity in housing access.

Improve public infrastructure. Congestion is high in the road transport network and the quality of the infrastructure stock is perceived as suboptimal, holding back productivity and the well-being of citizens.

Actions taken: In October 2015, a National Infrastructure Commission was established to provide expert advice to the government on pressing infrastructure challenges and long-term infrastructure needs. A list of infrastructure projects has continued to be reviewed and updated as part of the National Infrastructure Plan. At the start of 2016, several administrative units were consolidated into a single infrastructure delivery authority responsible for all major projects and programmes.

Recommendations: Continue to build on the progress made with the National Infrastructure Plan to further enhance long-term infrastructure strategy and planning. Further prioritise public infrastructure investment and continue to increase access to private financing. Move towards user pricing, especially in areas where negative environmental externalities exist, such as road transport.

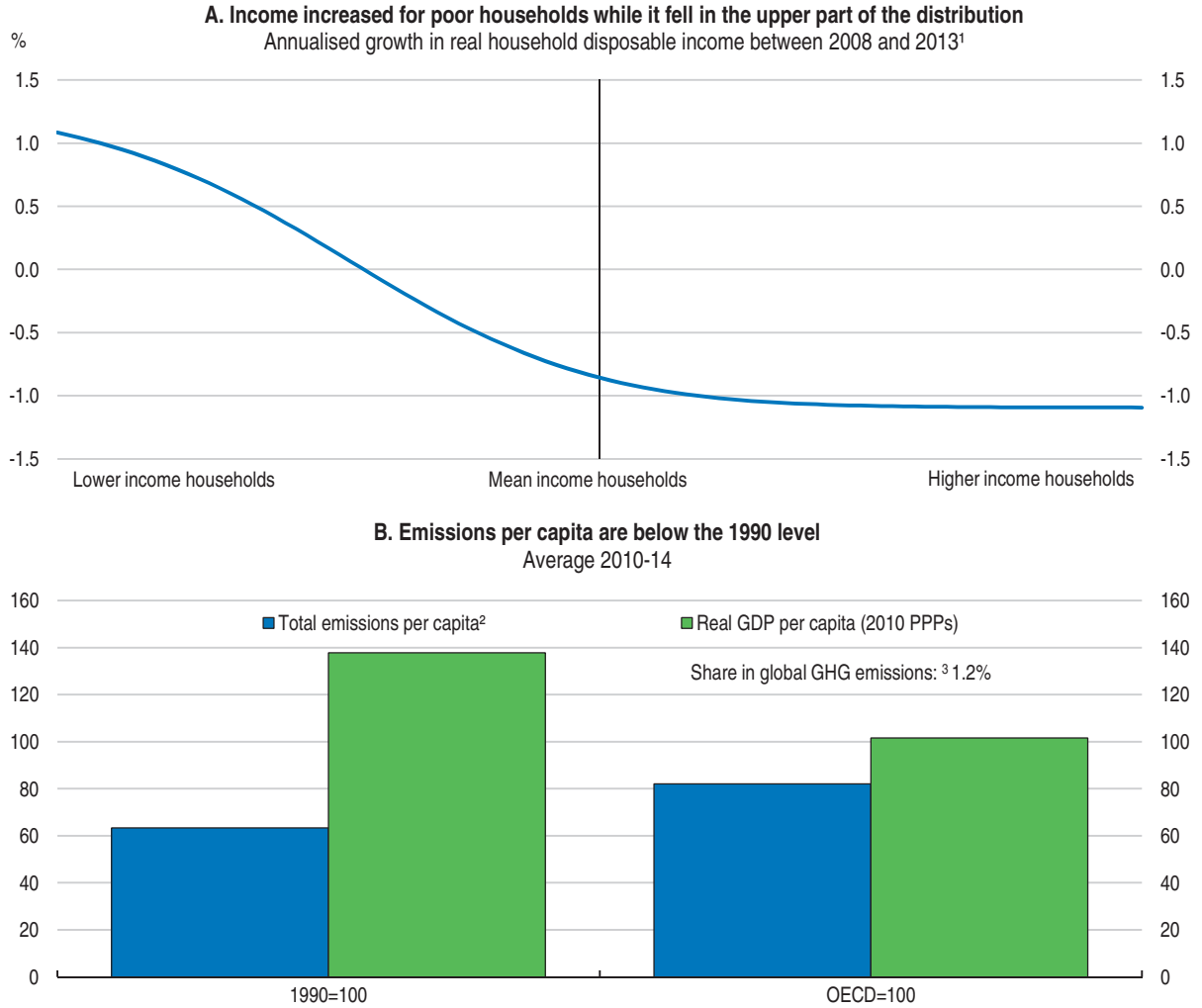
****Promote R&D spending.**** [1] Support for business R&D is well balanced between direct and indirect funding, but both private and public spending on R&D are comparatively low, which weakens innovation.

Recommendations: Prioritise spending on direct funding – such as grants, loans and procurement – to leverage private sector innovation in emerging sectors and potentially "disruptive" technologies, and also on R&D tax incentives to ensure that support measures for R&D remain balanced between the two sources of funding.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

UNITED KINGDOM

Beyond GDP per capita: Other policy objectives



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StatLink http://dx.doi.org/10.1787/888933456266

UNITED STATES

- Output per capita has exceeded the average of most advanced OECD countries by 10% or more over the past few decades. Per capita output has slowed during the recovery compared to the pre-crisis trend, reflecting demographic pressures on labour force participation as well as the drag on productivity growth from diminished capital deepening.
- Income inequality has continued to widen up to 2014 and remains higher than the OECD average not least due to a low share of national income accruing to the poorest.
- Limited progress has been made in structural reforms addressing *Going for Growth 2015* priorities. Some initiatives have been introduced to strengthen active labour market policies, including programmes designed to enable skill acquisition and retrain disabled workers. Previous initiatives to improve equality of opportunity and outcomes in education (such as Common Core and early education programs) have met only modest success. The government has chipped away at inefficiencies in the tax system, but meaningful progress will require legislation. No action has been taken to reduce producer supports for agriculture. Although further progress in that area is warranted, this priority has been replaced by the need to improve infrastructure, which is deemed to be more important in view of low labour productivity growth.
- Public infrastructure is not keeping pace with needs of the evolving economy and is contributing to congestion, urban sprawl, and environmental degradation, making actions to maintain and rationalise existing infrastructure, and build new infrastructure highly desirable. Sizeable segments of the population either lack opportunities to acquire and maintain skills valued highly by employers, or are constrained by childcare needs. These gaps could be bridged by measures to enable the acquisition of skills, improve educational outcomes, facilitate retraining, and enhance employment flexibility for parents of young children. The US devotes a much larger share of its resources on healthcare than other OECD countries, with little apparent gain in health outcomes. Enhancing healthcare sector efficiency could put resources to better use. Complexities in the US corporate tax system tilt the playing field against young firms, and, combined with high marginal tax rates, invite unproductive tax avoidance. Simplifying the tax code, broadening the tax base, and improving the design of tax incentives could help stimulate innovation and reinvigorate dynamism.
- Measures to improve public infrastructure and particularly mass transit, could also help limit environmental degradation and reduce carbon emissions.

Going for Growth 2017 priorities

Improve, maintain and rationalise infrastructure.* [1] Public infrastructure provision is not keeping pace with the evolving economy and the poor co-ordination of decisions across jurisdictions is contributing to congestion, urban sprawl, and environmental degradation.

Recommendations: Boost investment in, and maintenance of, infrastructure. Promote mass transit, and use federal programmes to encourage co-ordination across State and local jurisdictions. Implement usage fees based upon distance travelled and congestion, to help fund transportation and to encourage users internalise the broader costs of congestion and pavement damage. Expand federal programmes designed to improve access to fixed broadband.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an "*".

UNITED STATES

Growth performance and inequality indicators

A. Growth

Average annual growth rates (%)		2003-09	2009-15
GDP per capita		0.5	1.4
Labour utilisation		-1.0	0.3
of which:	Labour force participation rate	-0.2	-0.6
	Employment rate[1]	-0.6	0.7
	Employment coefficient[2]	-0.2	0.2
Labour productivity		1.3	1.0
of which:	Capital deepening	0.5	-0.4
	Total factor productivity	0.9	1.4
Dependency ratio		0.2	0.2

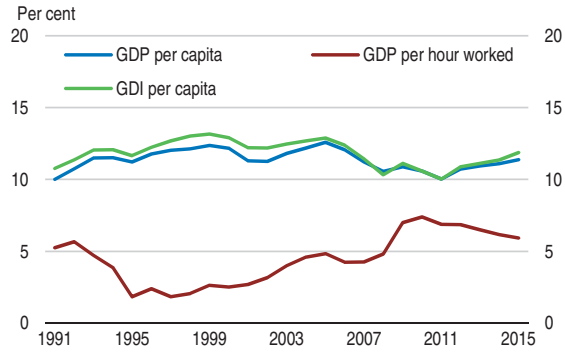
B. Inequality

	Level	Annual variation (percentage points)
	2015	2008-15
Gini coefficient[3]	39 (31.7)*	0.2 (0)*
Share of national disposable income held by the poorest 20%	5.4 (7.7)*	0 (0)*

** OECD average*

C. GDP per capita remains above the average of leading countries

Gap to the upper half of OECD countries[4]



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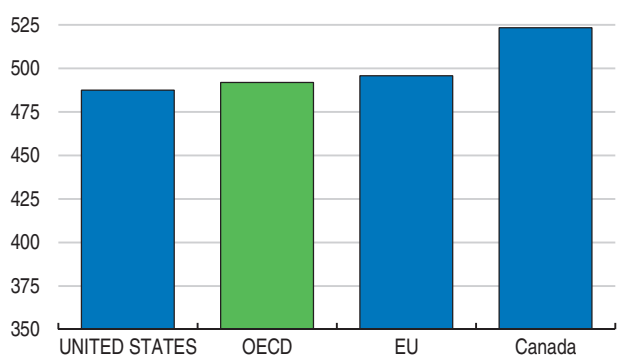
StatLink http://dx.doi.org/10.1787/888933455356

Policy indicators

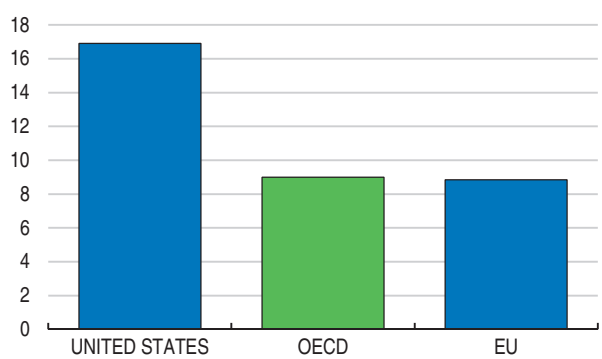
A. Student performance is relatively low

Average of PISA scores in mathematics , science and reading, 2015



B. Health expenditure is very high

Percentage of GDP, 2015



Source: Panel A: OECD, *PISA Database*; Panel B: OECD, *Health Database*.

StatLink http://dx.doi.org/10.1787/888933455813

UNITED STATES

Strengthen active labour market policies. Some displaced workers no longer possess skills that are in high demand from employers, and are likely to suffer long bouts of unemployment or exit the labour market.

Actions taken: Some new initiatives have been introduced to strengthen active labour market policies, including programmes designed to train workers in skills needed for available well-paying jobs (e.g. TechHire and UpSkill America were launched in 2015) and new federal funding for apprenticeship programs.

Recommendations: Expand funding for reskilling, building upon programmes that, in the past, have shown effectiveness in facilitating reemployment.

Improve equality of opportunity and outcomes in education. Some segments of the population still lack opportunities to acquire skills valued highly by employers and sustain employment, including children from poor families, females with young children, and persons with criminal records.

Actions taken: Initiatives have been introduced to improve early childhood education (such as the Head Start and Early Head Start), and funding for these programmes were increased in 2016 appropriations. Common core standards were introduced for primary and secondary education, but have been resisted by States.

Recommendations: Use targeted federal funding to reduce disparities in student opportunities and encourage States to be ambitious in lifting educational attainment. Require paid parental leave and improve access to quality childcare to help reduce wage gaps and improve career prospects. Expand the Earned Income Tax Credit and raise the minimum wage. Reduce pre-screening for employment on criminal records.

Improve the efficiency of the health care sector. The US devotes a much larger share of its resources to healthcare than other OECD countries, and these resources could be used more productively.

Actions taken: A number of programmes act to improve quality and reduce costs in government healthcare provisions as well as to facilitate risk pooling.

Recommendations: Continue to conduct pilot programmes of Medicare provider payment systems, assessments of utilise research by the Patient-Centered Outcome Research Institute and others that compares the effectiveness of different prescription drugs and treatments. Ensure that cost-saving measures thus identified are rolled out, and monitor their impact. Monitor developments in the increase of coverage.

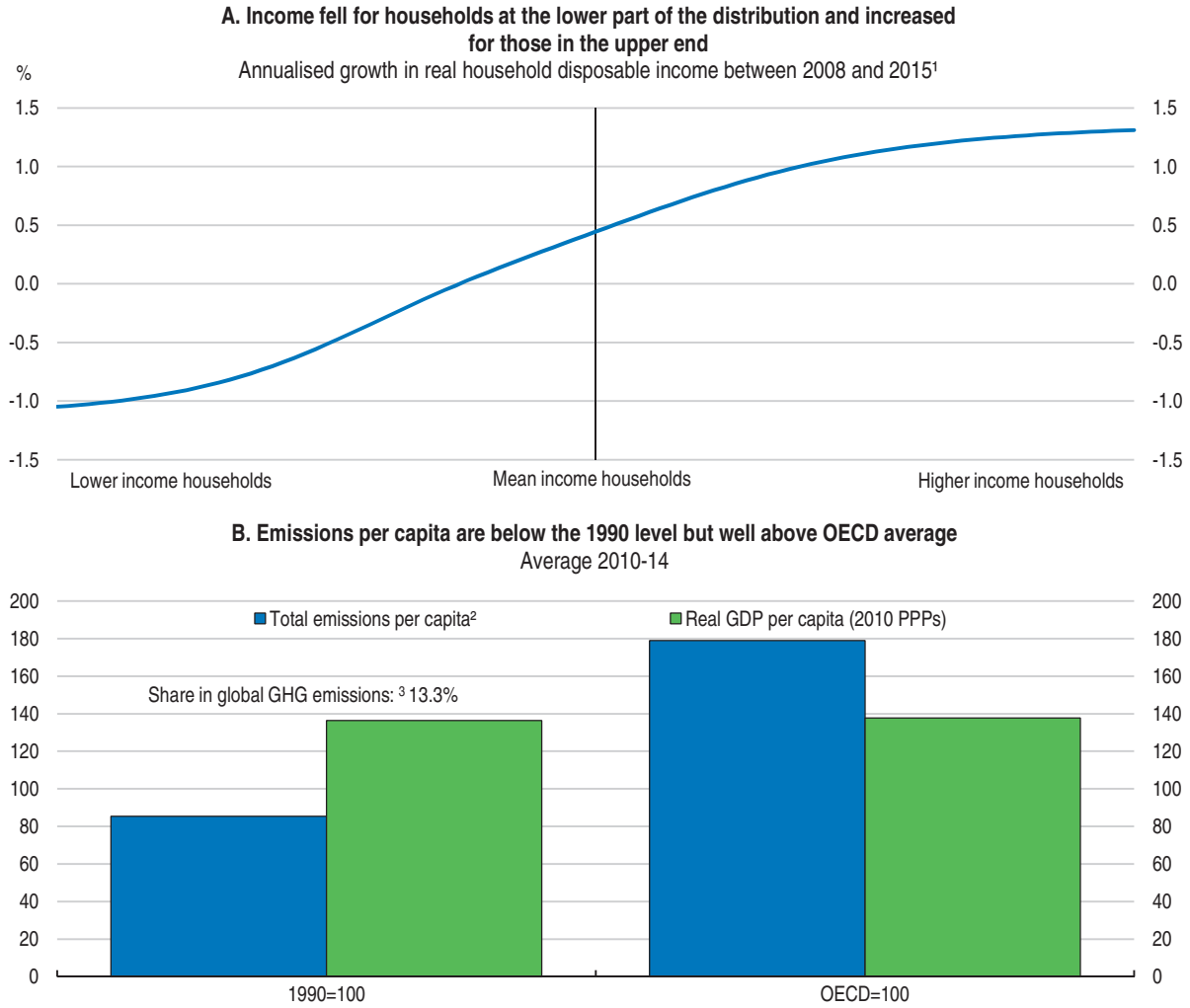
Reduce distortions in corporate taxes. Corporate income tax is outdated and penalises US competitiveness and young firms. Statutory rates are high and combined state and federal rates are the highest in the OECD while the base is narrow.

Actions taken: No actions taken.

Recommendations: Adopt legislation that cuts the statutory marginal corporate income tax rate and simplify corporate taxes and broaden the tax base. Make R&D tax credits refundable for new firms. Continue with measures to prevent base erosion and profit shifting.

UNITED STATES

Beyond GDP per capita: Other policy objectives



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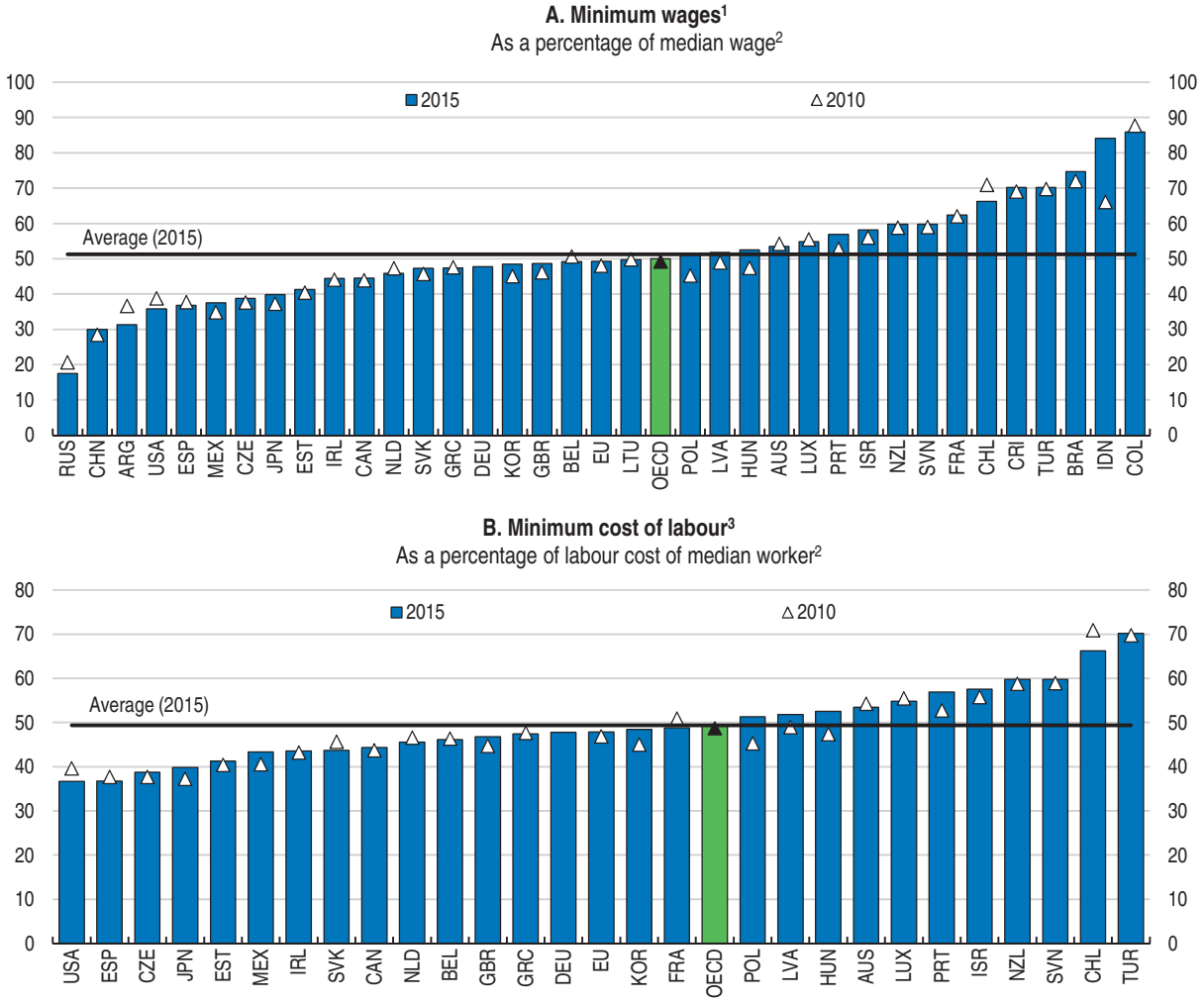
Chapter 4

Structural policy indicators

This chapter contains a comprehensive set of quantitative indicators that allow for a comparison of policy settings across countries (both OECD and selected non-OECD as per data availability). The indicators cover areas of tax and transfer systems and how they affect work incentives, as well as product and labour market regulations, education and training, trade and investment rules and innovation policies. The indicators are presented in the form of figures showing for all countries the most recent available observation and the change relative to the previous observation. In addition to individual country scores, most figures show the average result across all countries (horizontal line), as well as across OECD countries and the European Union countries.

Figure 4.1. **Cost of labour**



1. Missing countries do not have a national statutory minimum wage.
2. Exactly half of all workers have wages either below or above the median wage for the OECD countries. Percentage of minimum to average wage for Argentina, China, Indonesia and the Russian Federation.
3. The cost of labour is the sum of the wage level and the corresponding social security contribution paid by employers.

Source: Panel A: OECD, *OECD Employment Outlook Database*; China Ministry of Human Resources and Social Security, National Bureau of Statistics; Instituto Brasileiro de Geografia e Estatística (Pesquisa Nacional por Amostra de Domicílios); International Labour Organisation (ILO) *Database on Conditions of Work and Employment Laws*; Ministry of Man Power and Transmigration of the Republic of Indonesia and Statistics Indonesia (BPS); Russia Federal State Statistics Service; National Institute of Statistics and Census of Argentina; Panel B: OECD calculations based on *Employment Outlook* and *Taxing Wages Databases*.

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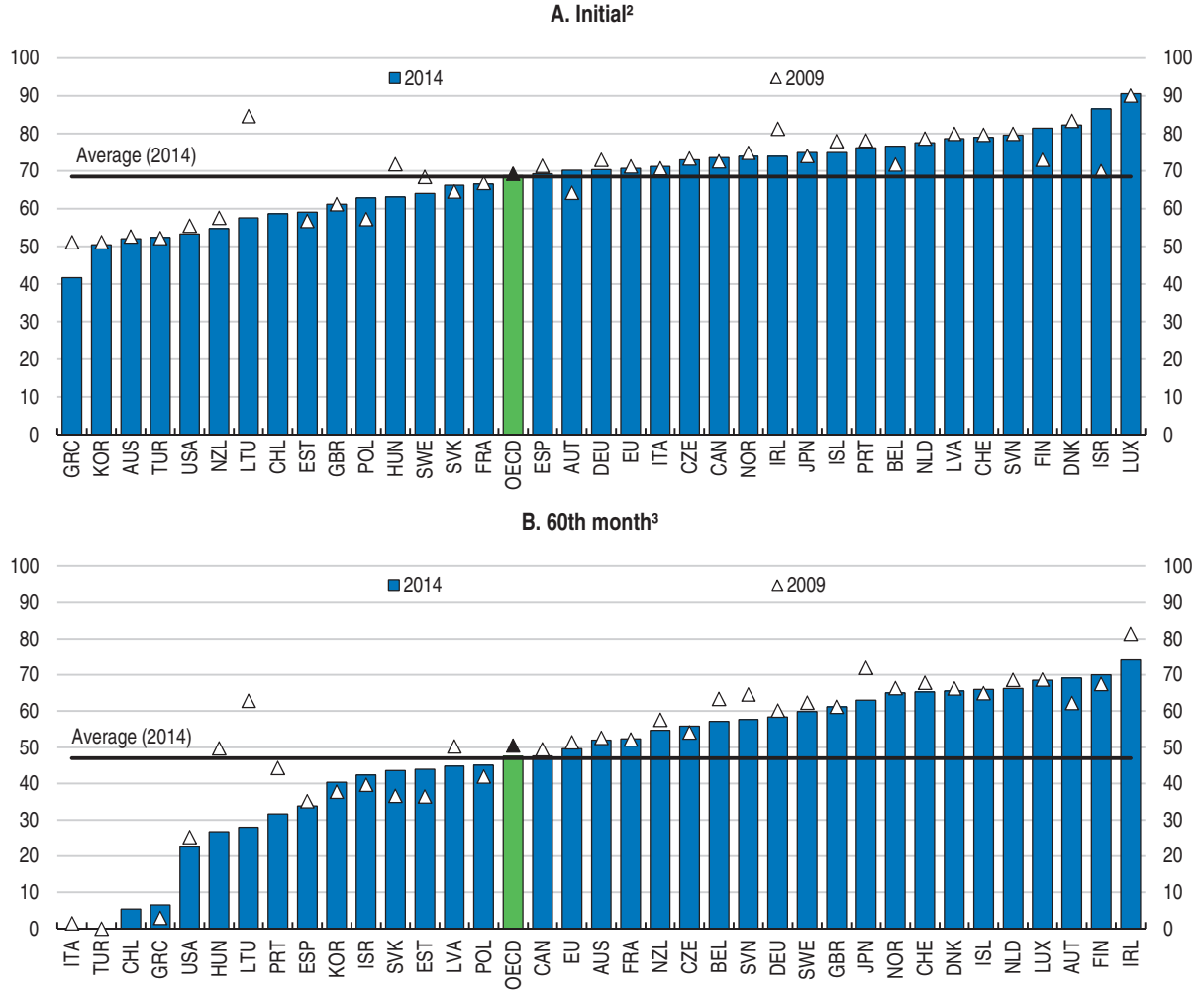
Figure 4.2. **Net income replacement rates for unemployment**

Net income when unemployed as a percentage of net income when working[1]



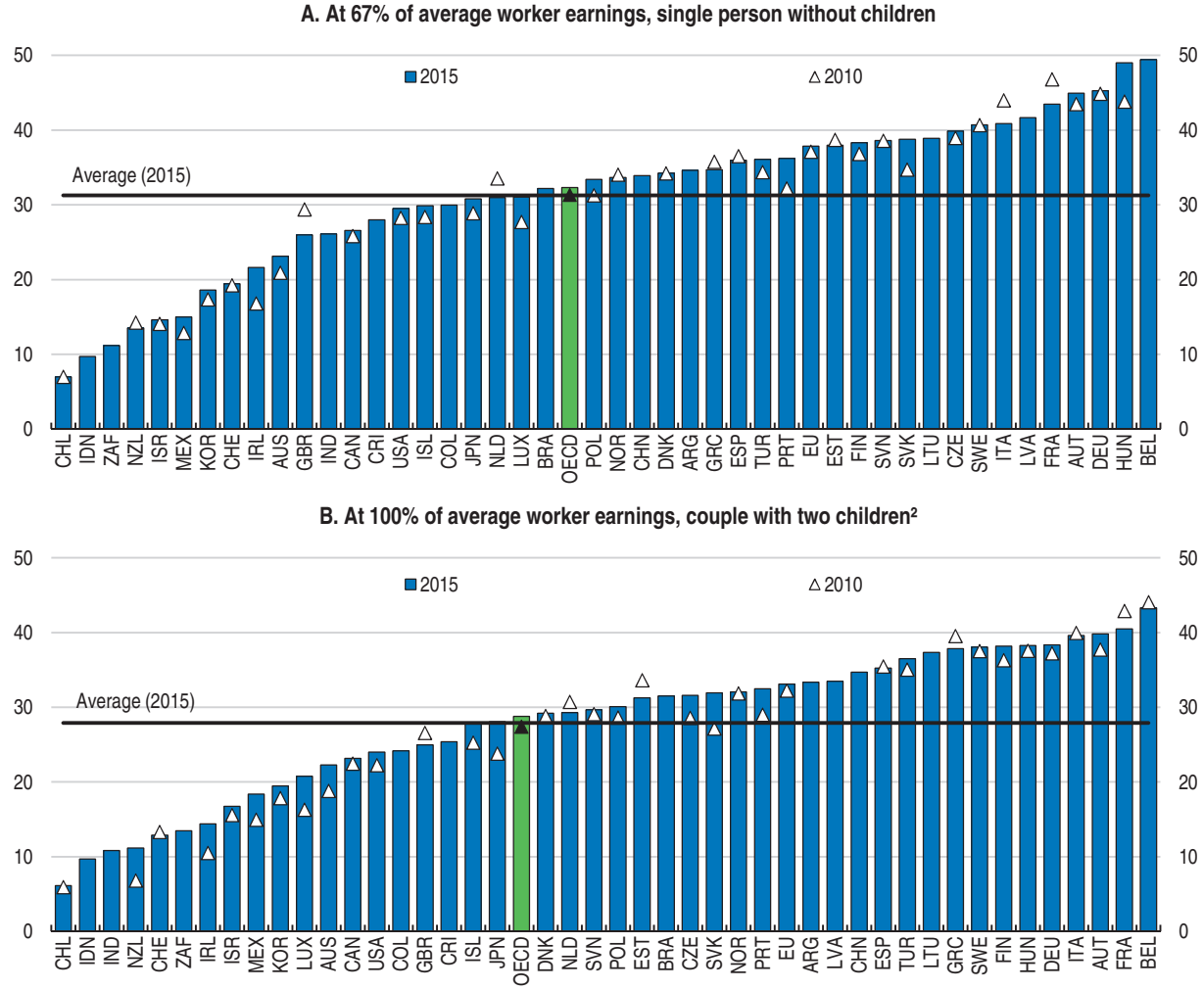
1. Simple average of the net replacement rates for the following households situations: single with no child and with two children at 67% and 100% AW, one-earner married couple with no child and with two children at 67% AW and 100% AW. After tax and including unemployment and family benefits. Social assistance and other means-tested benefits are assumed to be available subject to relevant income conditions. Housing costs are assumed equal to 20% of AW. For Turkey, the average worker earnings (AW) value is not available. Calculations are based on average production worker earnings (APW).
2. Initial phase of unemployment but following any waiting period. Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values (i.e. monthly values multiplied by 12) even if the maximum benefit duration is shorter than 12 months.
3. After tax and including unemployment benefits, social assistance, family and housing benefits in the 60th month of benefit receipt. Values for Turkey are equal to zero in 2009 and 2014 and for Italy in 2014.

Source: OECD, *Tax-Benefit Models*.

StatLink http://dx.doi.org/10.1787/888933456298

Figure 4.3. **Average tax wedge on labour**[1]

As a percentage of total labour compensation



1. Measured as the difference between total labour compensation paid by the employer and the net take-home pay of employees, as a ratio of total labour compensation. It therefore includes both employer and employee social security contributions. For India, the data cover manufacturing companies with 20 or more employees (which represent 5% of all companies in the sector); liability to health insurance and Employee Provident Fund contributions in India are restricted to employees in firms that have 20 or more employees. In China, a significant portion of workers are not covered by the social security system; hence their tax wedge is significantly lower than the figure reported here, which reflects the situation of workers covered. OECD data are not directly comparable with data for Argentina, Colombia and Costa Rica as they do not include social security contributions paid to privately managed funds which are not classified as taxes in the OECD methodology. The last available year is 2013 for Argentina, Colombia and Costa Rica; 2014 for Lithuania.
2. Couple with two children, at 100% of average worker earnings for the first earner. Average of three situations regarding the wage of the second earner (0%, 33% and 67% of average worker earnings).

Source: OECD, *Taxing Wages Database*; For BIICS countries, data represent the latest figures based on the methodology described in: Gandullia, L., N. Iacobone and A. Thomas (2012), "Modelling the tax burden on labour income in Brazil, China, India, Indonesia and South Africa", *OECD Taxation Working Papers*, No. 14; For Latvia, data are based on the methodology described in *Taxing Wages*; For Lithuania, data are from OECD *Tax-Benefit models*; OECD/IDB/CIAT (2016), *Taxing Wages in Latin America and the Caribbean 2016*. For Latvia, data are from European Commission (2017), *Tax and benefits indicators Database*.

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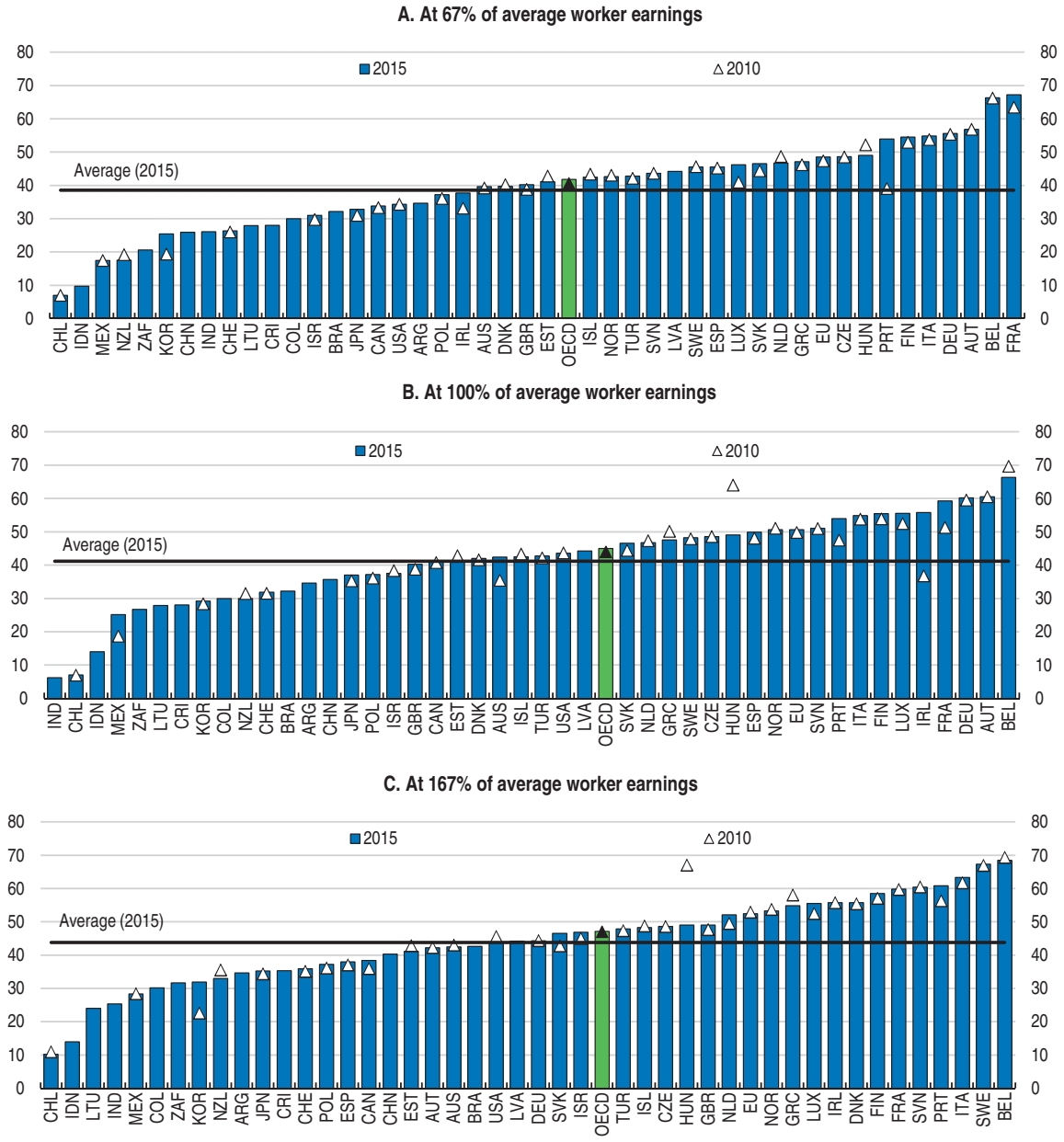
Figure 4.4. **Marginal tax wedge on labour**[1]

As a percentage of total labour compensation for single persons without children



1. Measured as the difference between the change in total labour compensation paid by employers and the change in the net take-home pay of employees, as a result of an extra unit of national currency of labour income. The difference is expressed as a percentage of the change in total labour compensation. For India, the data cover manufacturing companies with 20 or more employees (which represent 5% of all companies in the sector); liability to health insurance and Employee Provident Fund contributions in India are restricted to employees in firms that have 20 or more employees. In China, a significant portion of workers are not covered by the social security system; hence their tax wedge is significantly lower than the figure reported here, which reflects the situation of workers covered. OECD data are not directly comparable with data for Argentina, Colombia and Costa Rica as they do not include social security contributions paid to privately managed funds which are not classified as taxes in the OECD methodology. The last available year is 2013 for Argentina, Colombia and Costa Rica; 2014 for Lithuania.

Source: OECD, *Taxing Wages Database*; For BIICS countries, data represent the latest figures based on the methodology described in: Gandullia, L., N. Iacobone and A. Thomas (2012), "Modelling the tax burden on labour income in Brazil, China, India, Indonesia and South Africa", *OECD Taxation Working Papers*, No. 14; For Latvia, data are based on the methodology described in *Taxing Wages*; For Lithuania, data are from OECD *Tax-Benefit models*; OECD/IDB/CIAT (2016), *Taxing Wages in Latin America and the Caribbean 2016*. For Latvia, data are from European Commission (2017), *Tax and benefits indicators Database*.

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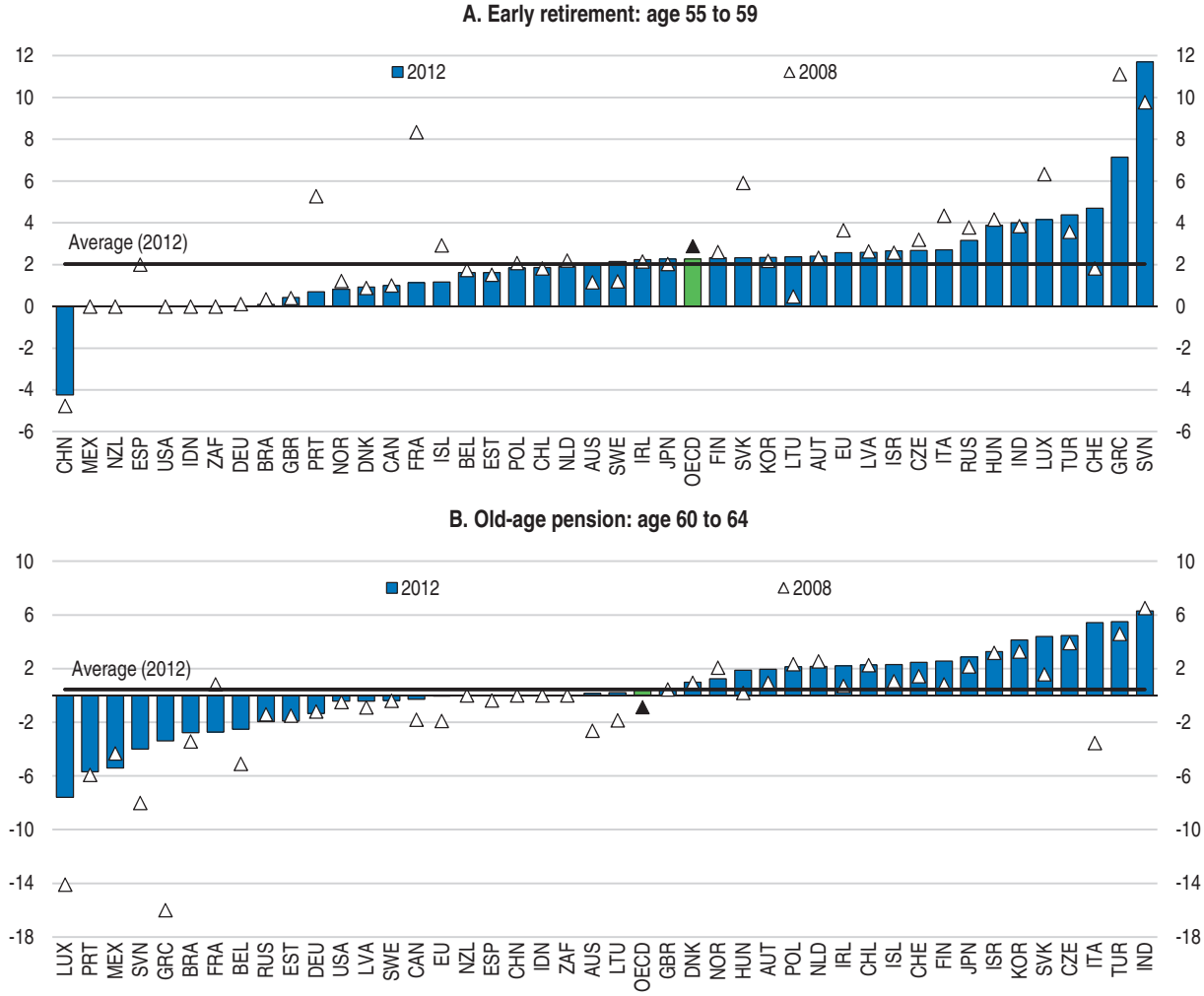
Figure 4.5. **Changes in net pension wealth**[1]

As a percentage of gross annual individual earnings



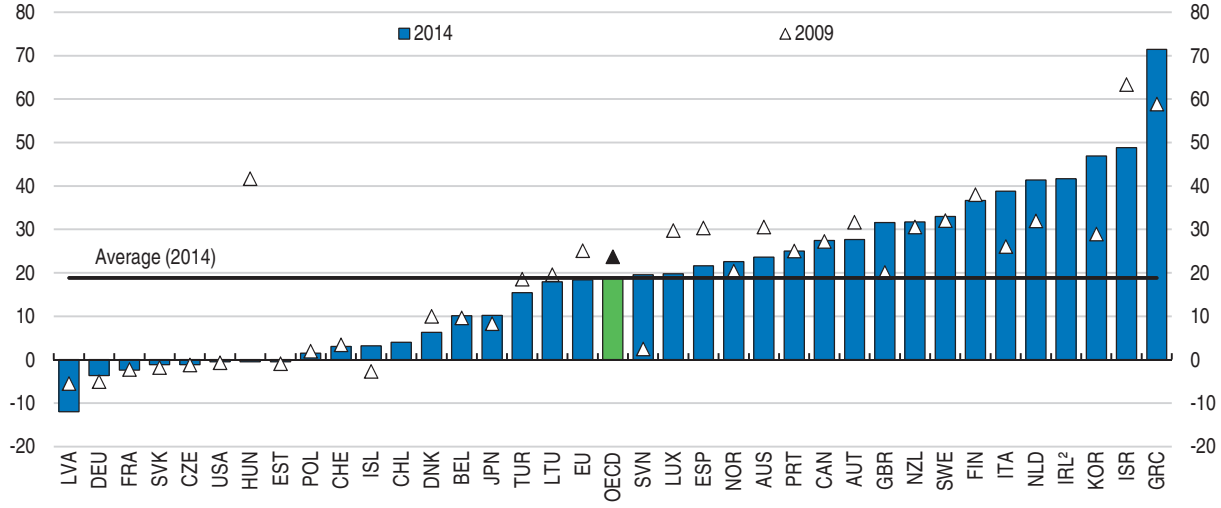
1. The change in pension wealth is a measure of the incentive to remain in the workforce for an additional period. It measures the increase in the level of pension entitlement one gains by remaining in employment for an additional year. The calculation is the annual average increase in males' pension wealth when working from age 55 to 59 (early retirement) and from age 60 to 64 (old-age pension). Net pension wealth is the present value of the flow of pension benefits, taking account of the taxes and social security contributions that retirees have to pay on their pensions. It is measured and expressed as a multiple of gross annual individual earnings in the respective country. See OECD (2013), *Pensions at a Glance 2013: OECD and G20 Indicators* for additional details.

Source: OECD, *Pension Models*.

StatLink http://dx.doi.org/10.1787/888933456320

Figure 4.6. **Difference in net transfers to government: single and equal dual-earner couples**[1]

Percentage points



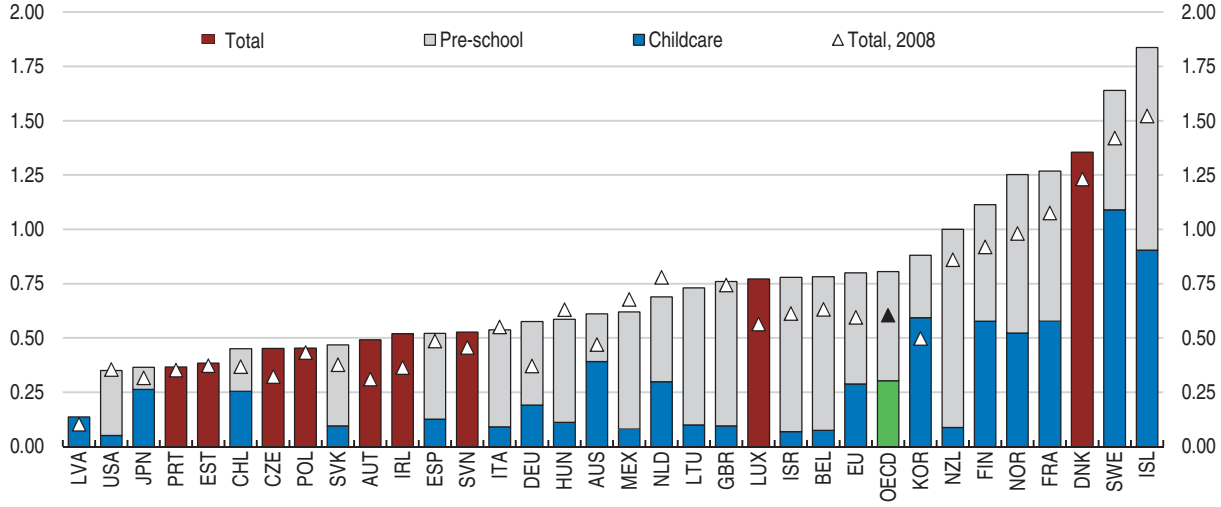
1. Measured as the difference in net transfers (taxes paid minus benefits received) to government between two household cases: (1) "Single-earner couples" – with one earner with 133% of average earnings and (2) "Equal dual-earner couples"- both spouses earn the same either average earnings or 67% of average earnings. The difference is in percentage points and computed as [(1)-(2)]/(1).
2. The value for 2009 is not reported as it is highly distorted due to the fact that the net transfers to government from single-earner couples are close to zero.

Source: OECD, *Tax-Benefit Models*.

StatLink http://dx.doi.org/10.1787/888933456332

Figure 4.7. **Public expenditure on childcare and early education services**[1]

As a percentage of GDP, 2013



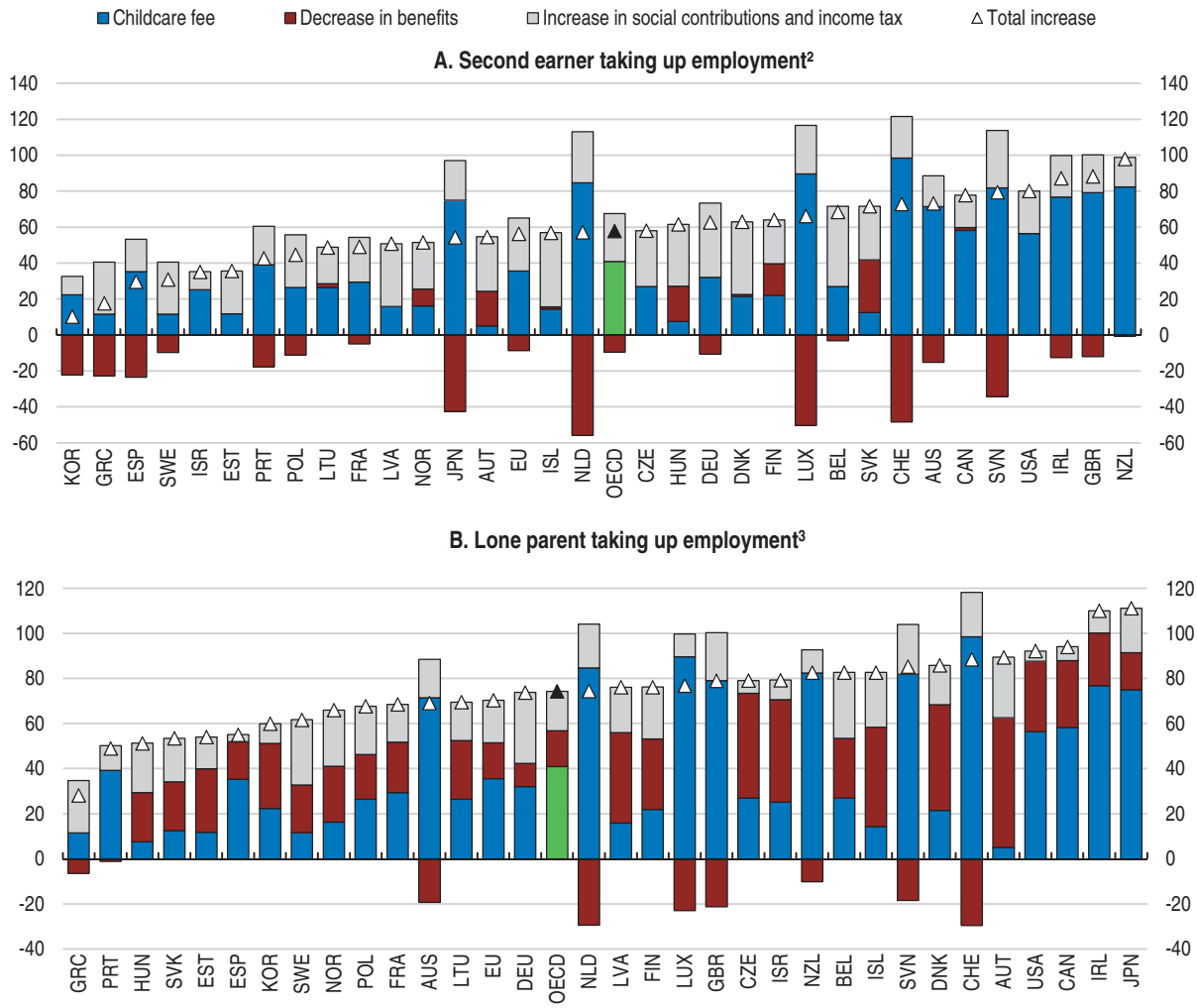
1. Childcare expenditure covers children under three enrolled in childcare and children between the ages of three and five enrolled in pre-school. Childcare refers to formal day-care services, such as day-care centres and family day-care. Pre-school includes kindergartens and day-care centres which usually provide an educational content as well as traditional care for children (ISCED 0 under UNESCO's classification system). Local government spending may not be properly captured in the data for federal countries. For Austria, Czech Republic, Denmark, Estonia, Ireland, Luxembourg, Slovenia, Poland and Portugal, the data cannot be disaggregated by educational level.

Source: OECD, *Family and Social Expenditure Databases*.

StatLink http://dx.doi.org/10.1787/888933456344

Figure 4.8. **Implicit tax on returning to work**[1]

As a percentage of gross earnings in new job, 2012



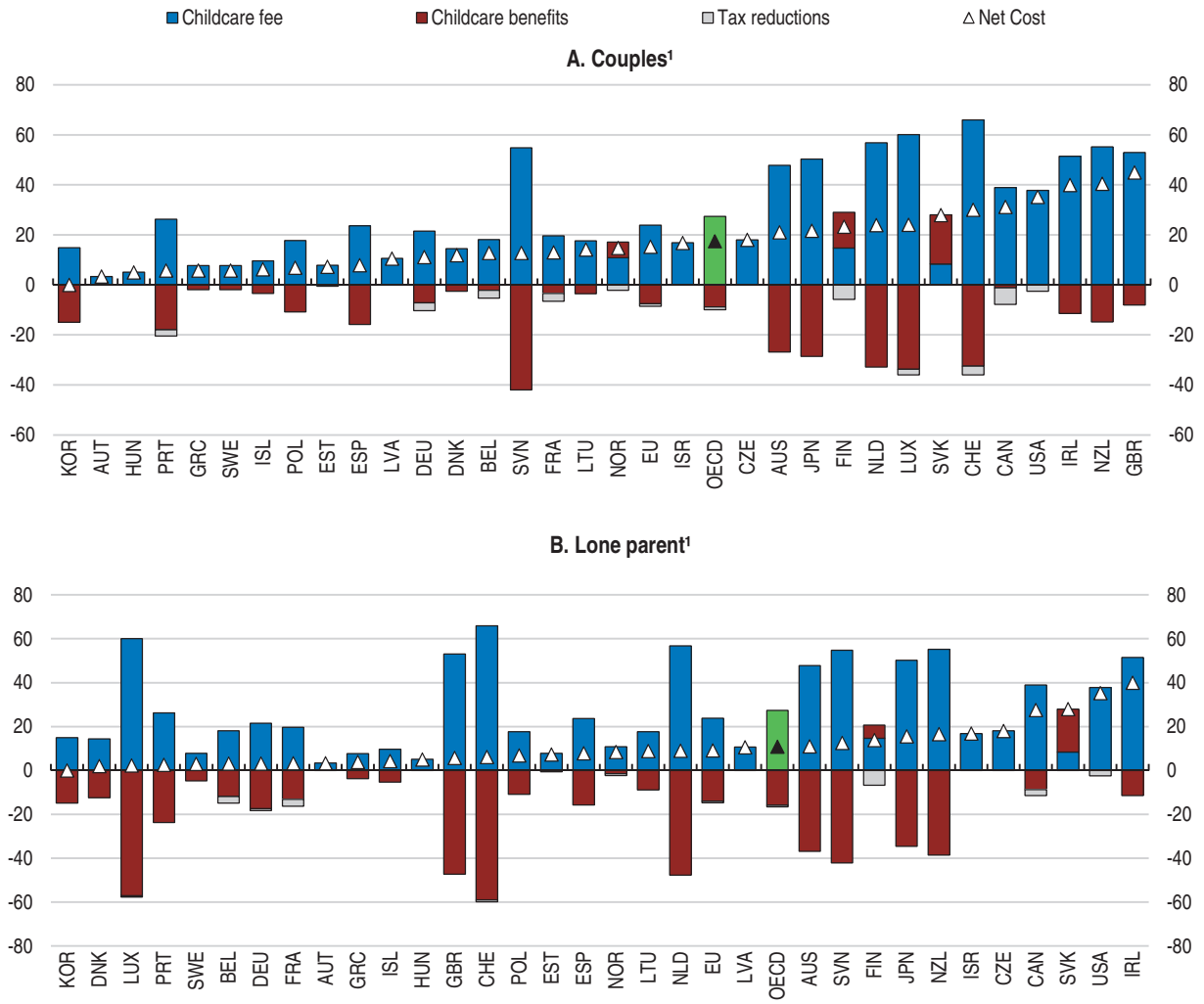
1. Net transfers and childcare fees for households with two children aged 2 and 3. Taking into account childcare fees and changes of taxes and benefits in case of a transition to a job paying two-thirds of average worker earnings.
2. Second earner taking up employment at 67% of average wage and the first earner earns 100% of average wage.
3. Lone parent taking up employment at 67% of average wage.

Source: OECD, *Tax-Benefit Models*, *www.oecd.org/els/social/workincentives*.

StatLink http://dx.doi.org/10.1787/888933456355

Figure 4.9. **Net costs of childcare**

Childcare-related costs and benefits as a percentage of average wage, 2012



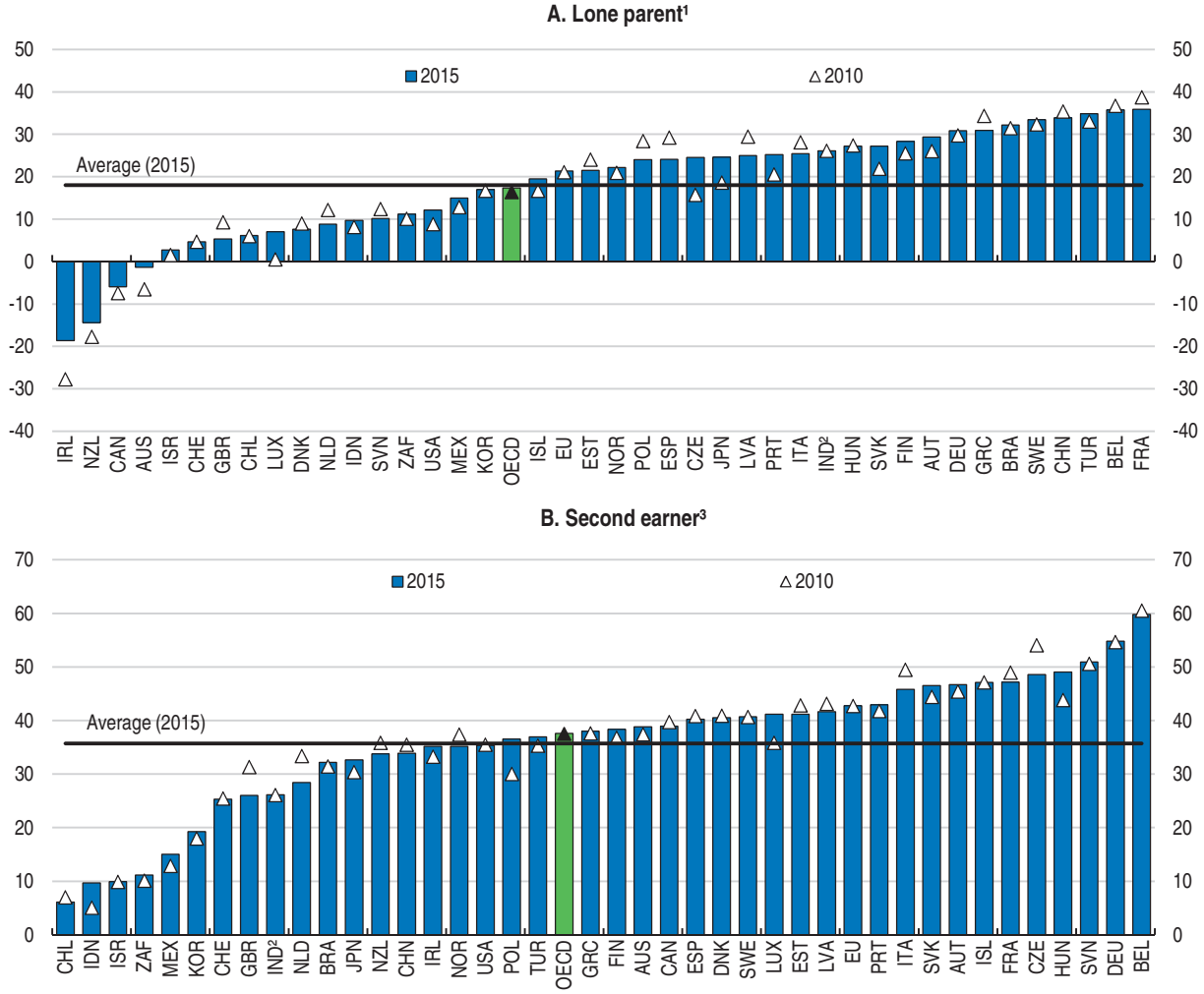
1. Couples where the first earner earns 100% of the average wage and the second earns 67% of the average wage. Lone parent earning 67% of the average wage. For Canada, Finland, Norway, Slovak Republic, Slovenia and the United Kingdom, childcare benefits refer to childcare and other benefits.

Source: OECD, *Tax-Benefit Models*, *www.oecd.org/els/social/workincentives*.

StatLink http://dx.doi.org/10.1787/888933456360

Figure 4.10. **Average tax wedge: lone parent versus second earner**

As a percentage of total labour compensation

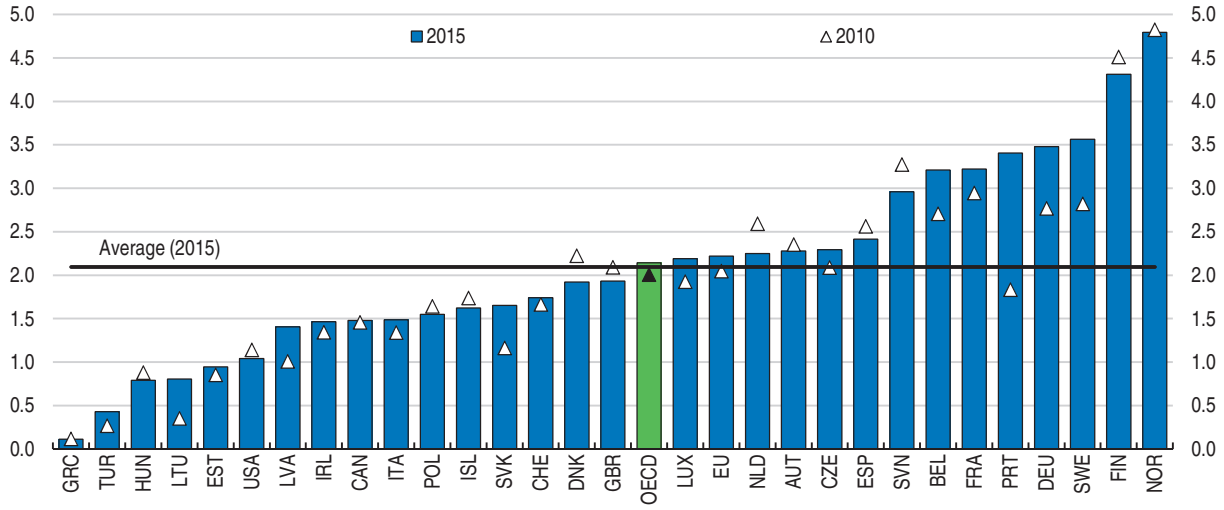


1. Lone parent with two children earning 67% of the average wage.
2. Results apply only for the minority case where the employee works in a firm with more than 20 employees.
3. Average tax wedge faced by the second earner when earning 67% of the average wage in a family with two children, where the first earner receives a full average wage.

Source: Taxing Wages 2016 (calculations based on data retrieved from OECD.Stat: *http://dotstat.oecd.org/Index.aspx?DataSetCode=AWCOU*) and Taxing Wages Models for non-OECD member countries.

StatLink http://dx.doi.org/10.1787/888933456373

Figure 4.11. **Number of weeks lost due to sick leave per year**



Source: OECD estimates based on the European Labour Force Survey (unpublished data), the Canadian Labour Force Survey and published U.S Current Population Survey estimates on lost working time rate due to injury or illness of full-time wage and salary workers.

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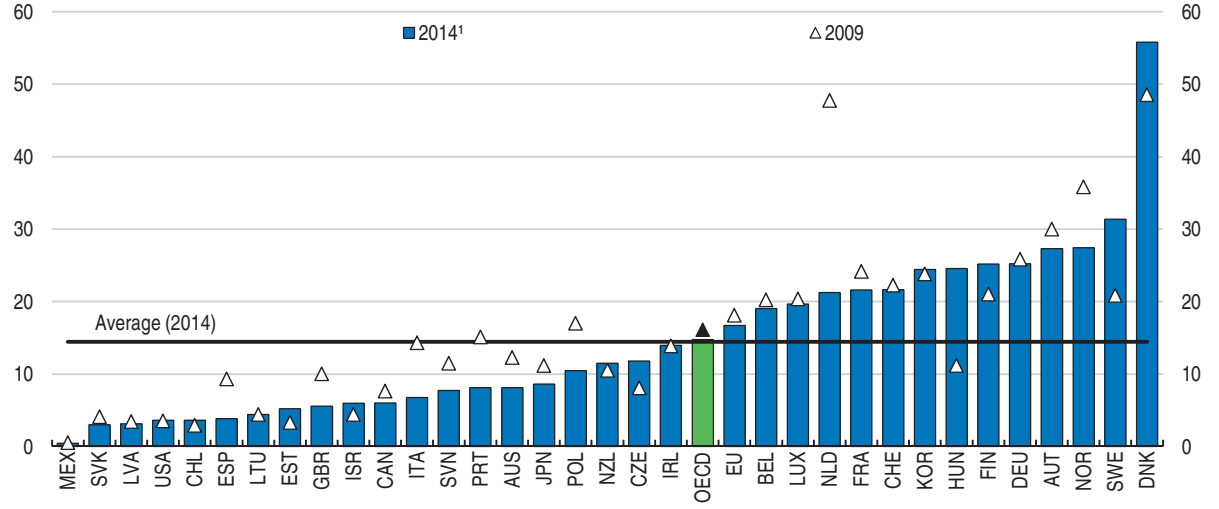
Figure 4.12. **Public expenditure on active labour market policies per unemployed**[1]

As a percentage of GDP per capita



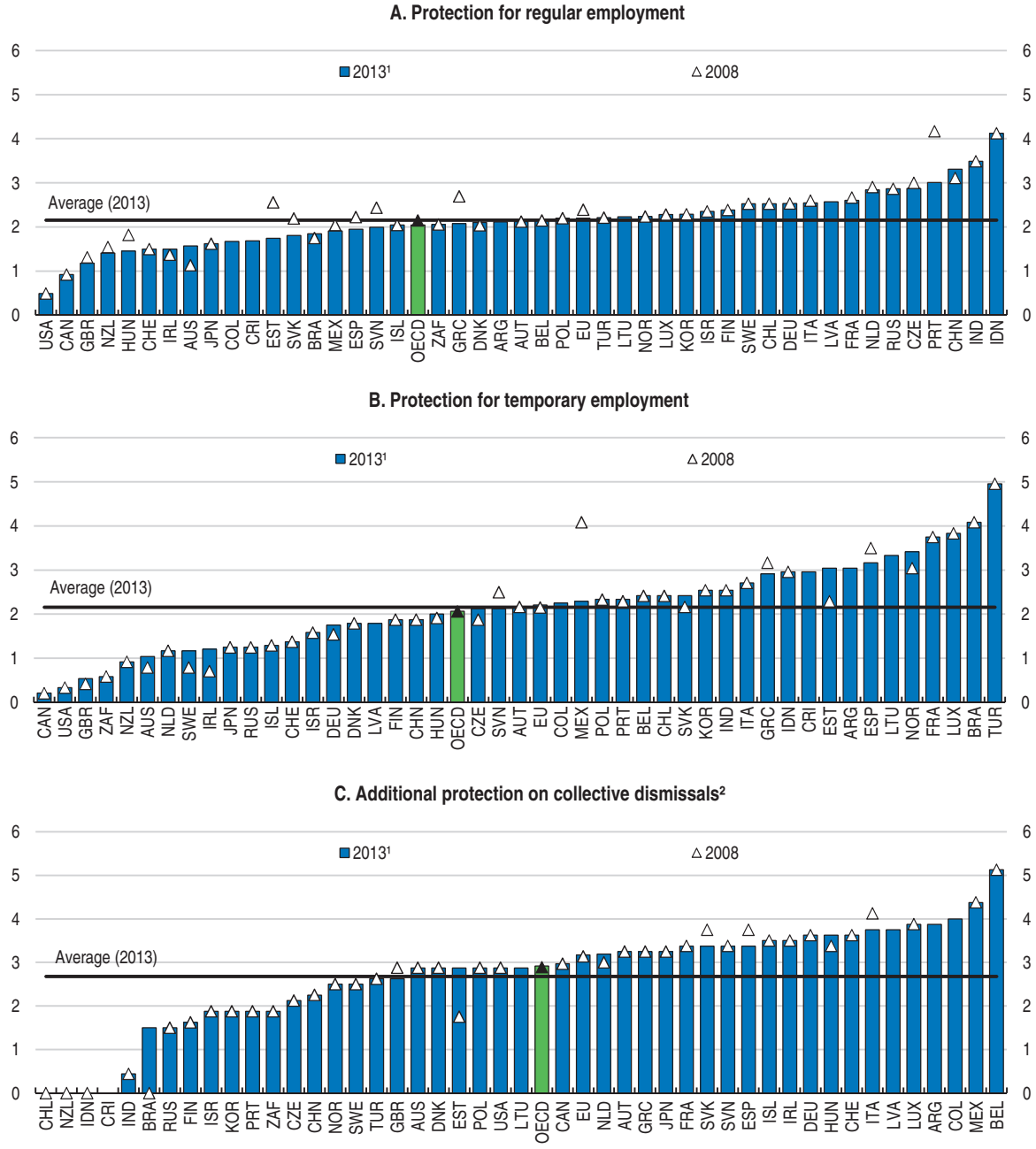
1. Data refer to 2013 for Ireland, Poland and Spain; 2011 for the United Kingdom.

Source: OECD, *Public expenditure and participant stocks on Labour Market Programmes* and *Economic Outlook Databases*.

StatLink http://dx.doi.org/10.1787/888933456399

Figure 4.13. **Employment protection legislation**

Index scale of 0-6 from least to most restrictive



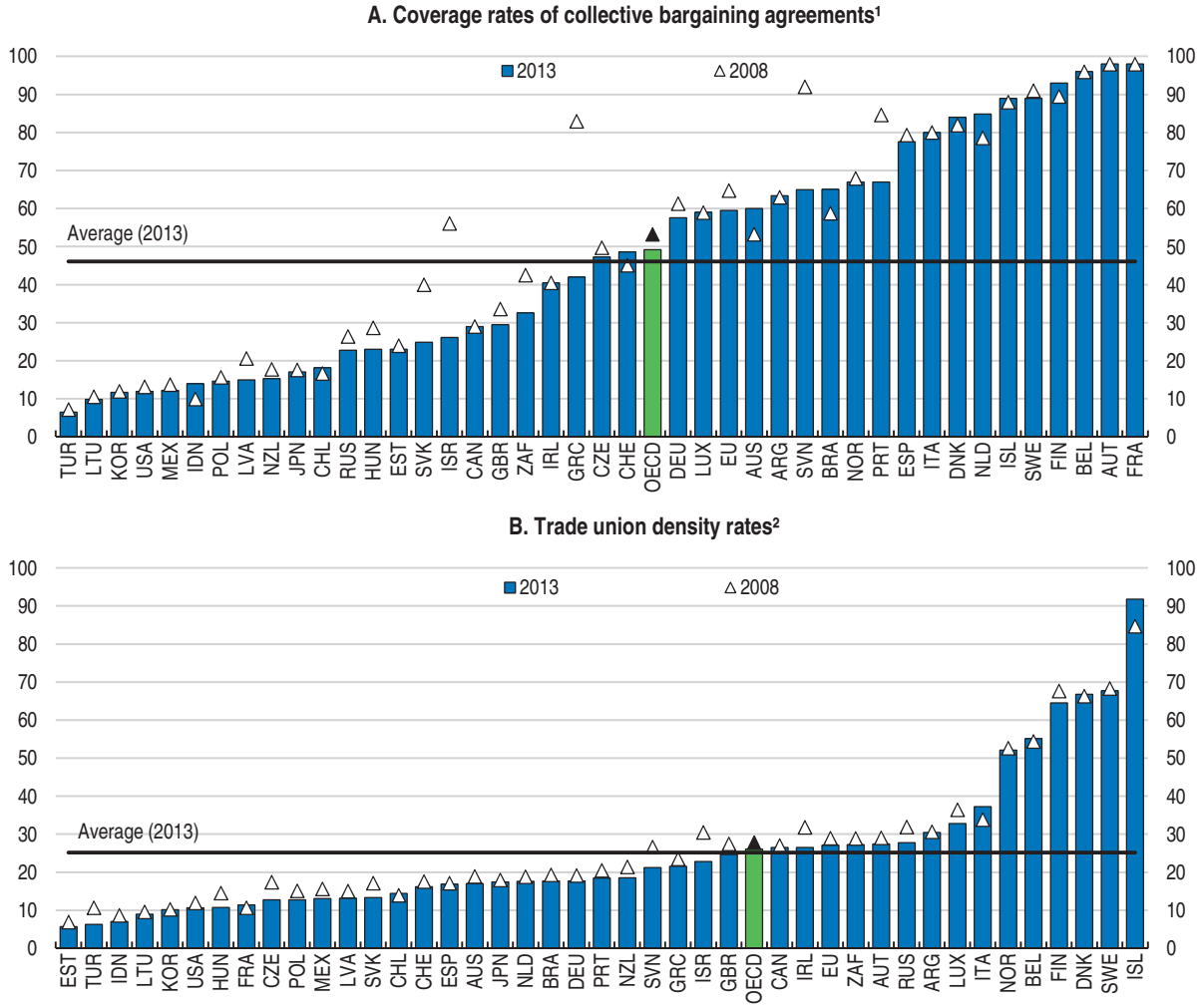
1. Data refer to 2015 for Lithuania; 2014 for Argentina, Colombia, Costa Rica, Slovenia and the United Kingdom; 2012 for BRIICS countries and Latvia.
2. Values in 2008 and 2013 are equal to zero for Chile, Indonesia and New Zealand; values are equal to zero in 2008 for Brazil and in 2014 for Costa Rica.

Source: OECD, *Employment Protection Database*.

StatLink http://dx.doi.org/10.1787/888933456407

Figure 4.14. **Coverage rates of collective bargaining agreements and trade union density rates**

Percentage



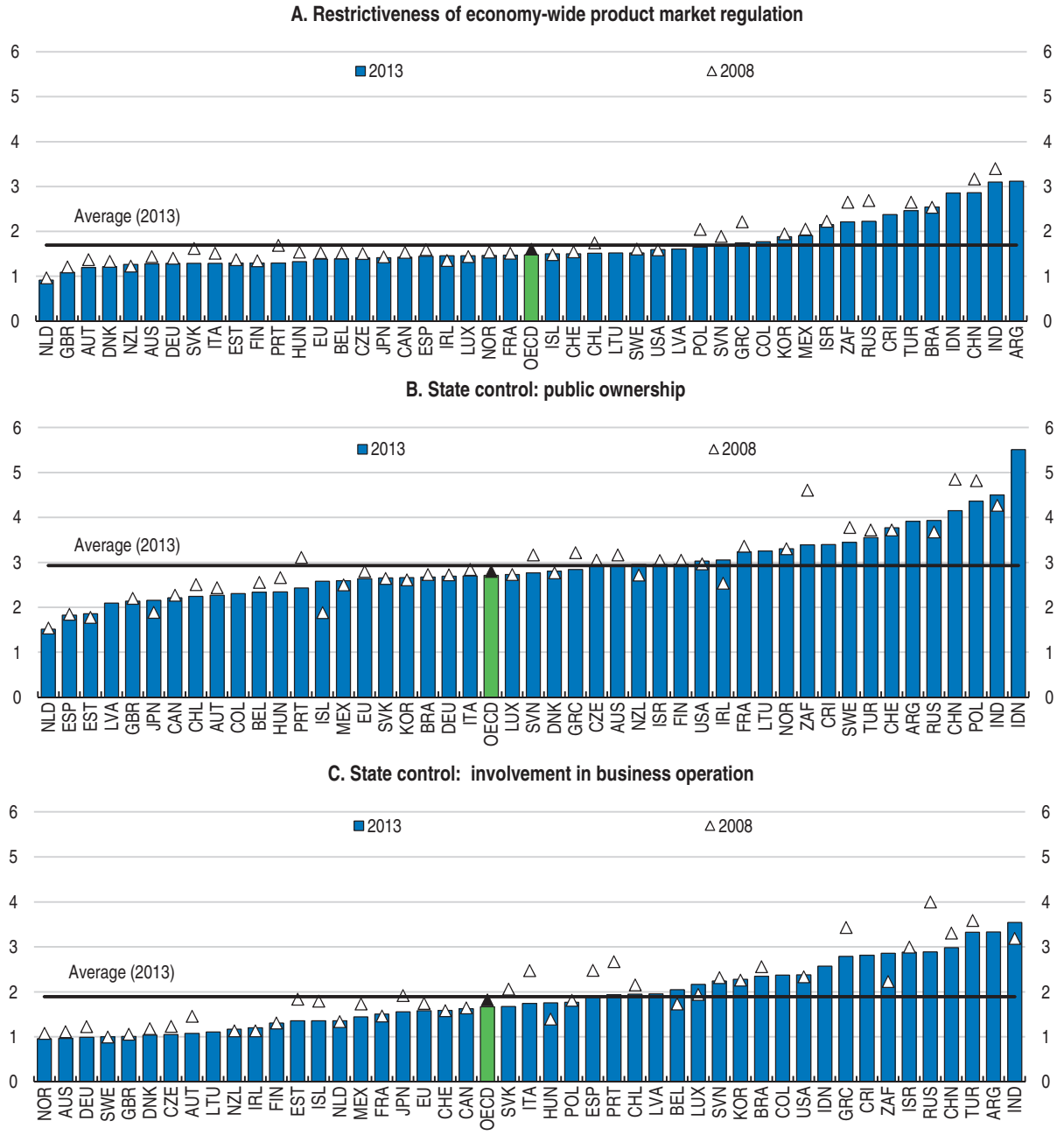
1. The coverage rate is measured as the percentage of workers who are covered by collective bargaining agreements, regardless of whether or not they belong to a trade union. For 2013, data refer to 2014 for Finland and Portugal; 2012 for Australia, Estonia, France, Indonesia, Israel, Korea, Lithuania, Luxembourg, Mexico, Poland and South Africa; 2011 for New Zealand; 2010 for Italy; 2009 for Ireland. For 2008, data refer to 2010 for Argentina; 2009 for Brazil, Chile, Denmark, Estonia, Hungary, Ireland, Latvia, Mexico, Norway, the Russian Federation and Switzerland; 2007 for New Zealand, Poland and Sweden; 2005 for Italy; 2000 for Israel.
2. The union density rate is the percentage of workers belonging to a trade union. The rates refer to wage and salary workers. The last available year is 2015 for Canada, Iceland, Ireland, Japan, Mexico, South Africa, the United Kingdom and the United States; 2014 for Brazil, Chile, Korea, New Zealand; 2013 for Switzerland; 2012 for Hungary, Indonesia, Israel, Latvia, Lithuania, Luxembourg, Poland and Portugal.

Source: OECD estimates and J. Visser, *ICTWSS Database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts in 51 countries between 1960 and 2014*, Version 5.1, Amsterdam Institute for Advanced Labour Studies AIAS, September 2016.

StatLink http://dx.doi.org/10.1787/888933456419

Figure 4.15. **Product market regulation and state control of business operation**

Index scale of 0-6 from least to most restrictive

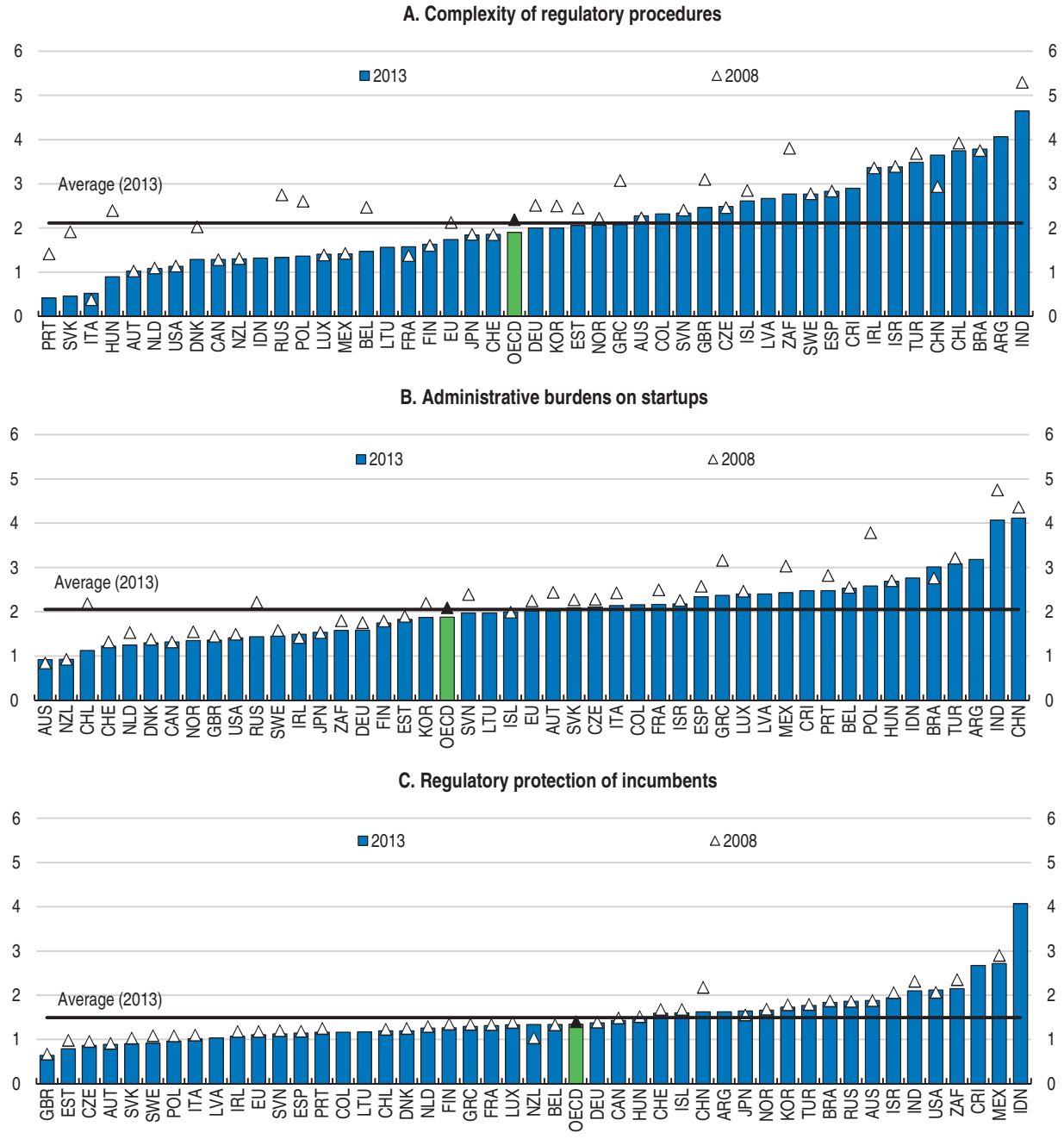


Source: OECD, *Product Market Regulation Database* and Koske, I., I. Wanner, R. Bitetti and O. Barbiero, (2015), "The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries", *OECD Economics Department Working Papers, 1200/2015*; *OECD-WBG Product Market Regulation Database* for Argentina, Colombia and Costa Rica.

StatLink http://dx.doi.org/10.1787/888933456428

Figure 4.16. **Barriers to entrepreneurship**

Index scale of 0-6 from least to most restrictive

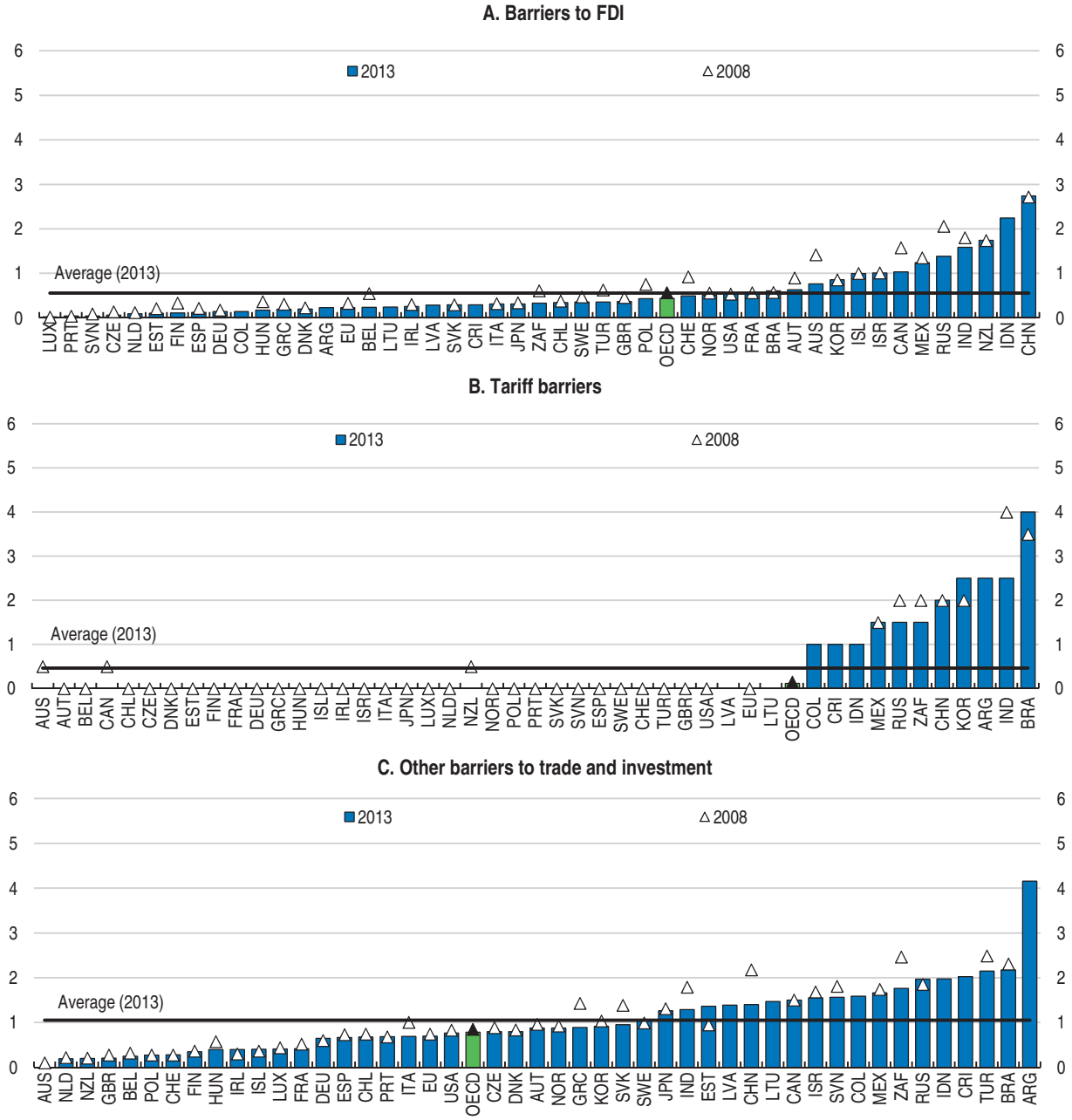


Source: OECD, *Product Market Regulation Database* and Koske, I., I. Wanner, R. Bitetti and O. Barbiero, (2015), "The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries", *OECD Economics Department Working Papers*, 1200/2015; *OECD-WBG Product Market Regulation Database* for Argentina, Colombia and Costa Rica.

StatLink http://dx.doi.org/10.1787/888933456432

Figure 4.17. **Barriers to trade and investment**

Index scale of 0-6 from least to most restrictive

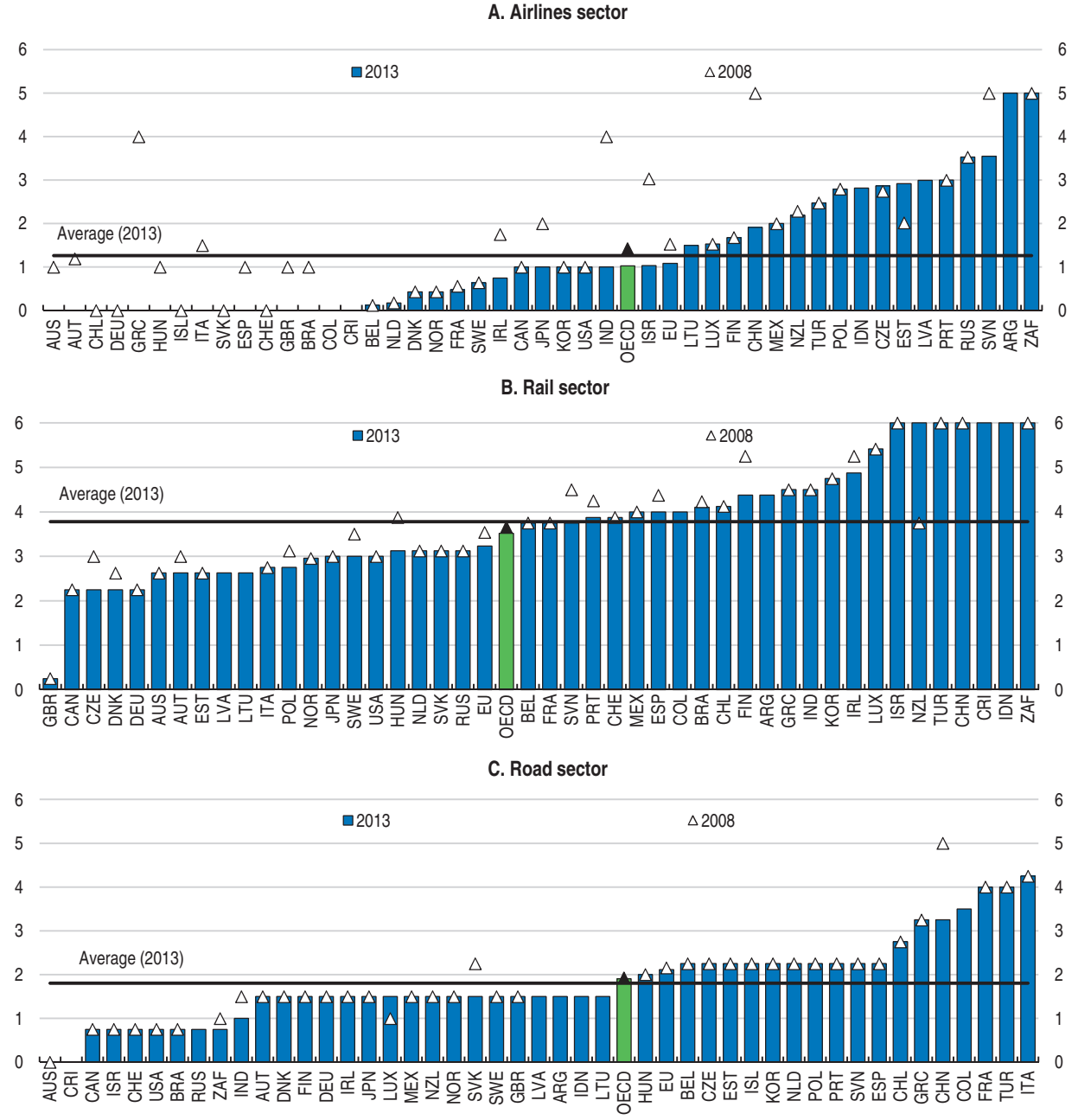


Source: OECD, *Product Market Regulation Database* and Koske, I., I. Wanner, R. Bitetti and O. Barbiero, (2015), "The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries", *OECD Economics Department Working Papers*, 1200/2015; *OECD-WBG Product Market Regulation Database* for Argentina, Colombia and Costa Rica.

StatLink http://dx.doi.org/10.1787/888933456447

Figure 4.18. **Sectoral regulation in the transport sector**

Index scale of 0-6 from least to most restrictive

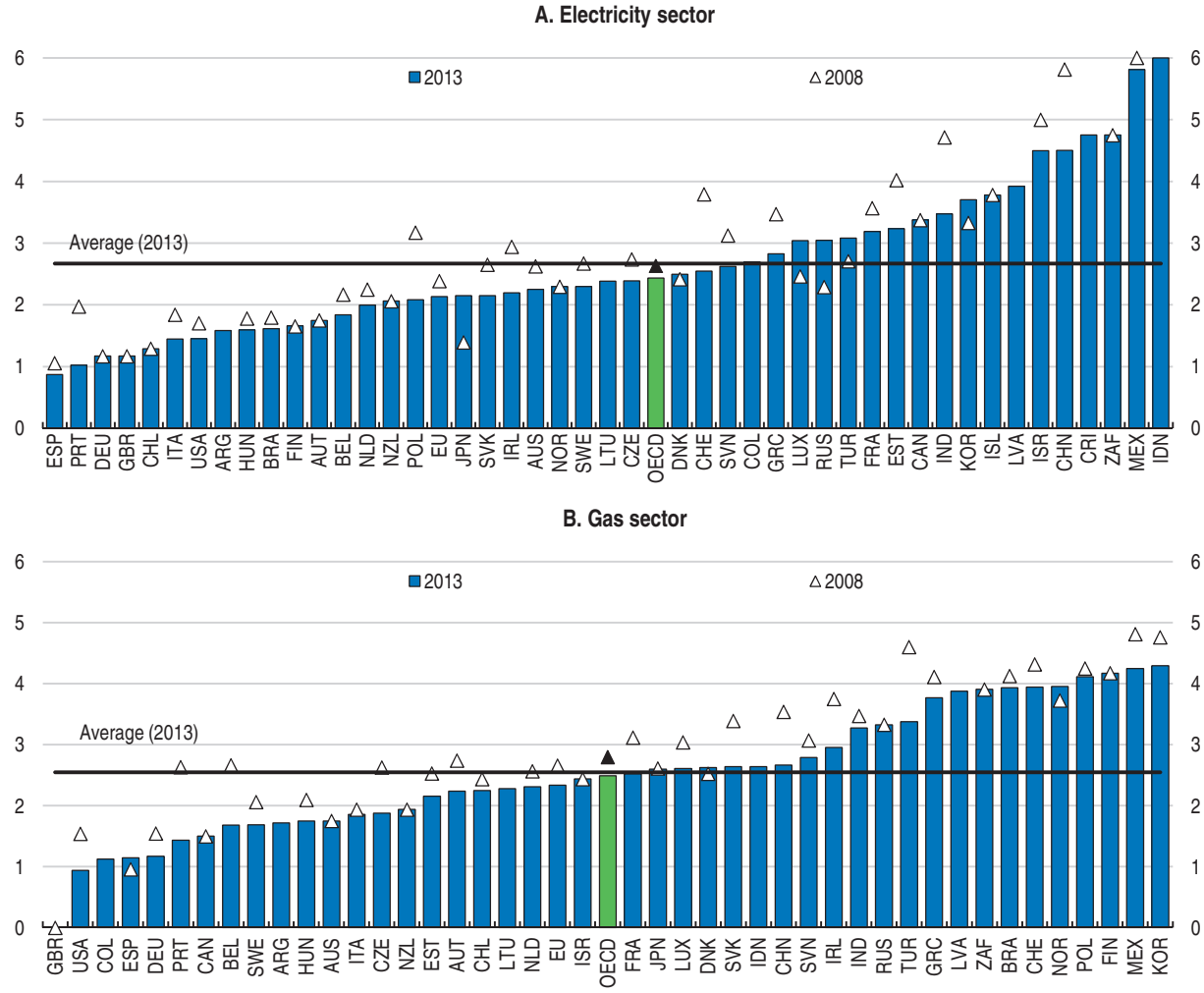


Source: OECD, *Product Market Regulation Database* and Koske, I., I. Wanner, R. Bitetti and O. Barbiero, (2015), "The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries", *OECD Economics Department Working Papers*, 1200/2015; *OECD-WBG Product Market Regulation Database* for Argentina, Colombia and Costa Rica.

StatLink http://dx.doi.org/10.1787/888933456454

Figure 4.19. **Sectoral regulation in the energy sector**

Index scale of 0-6 from least to most restrictive

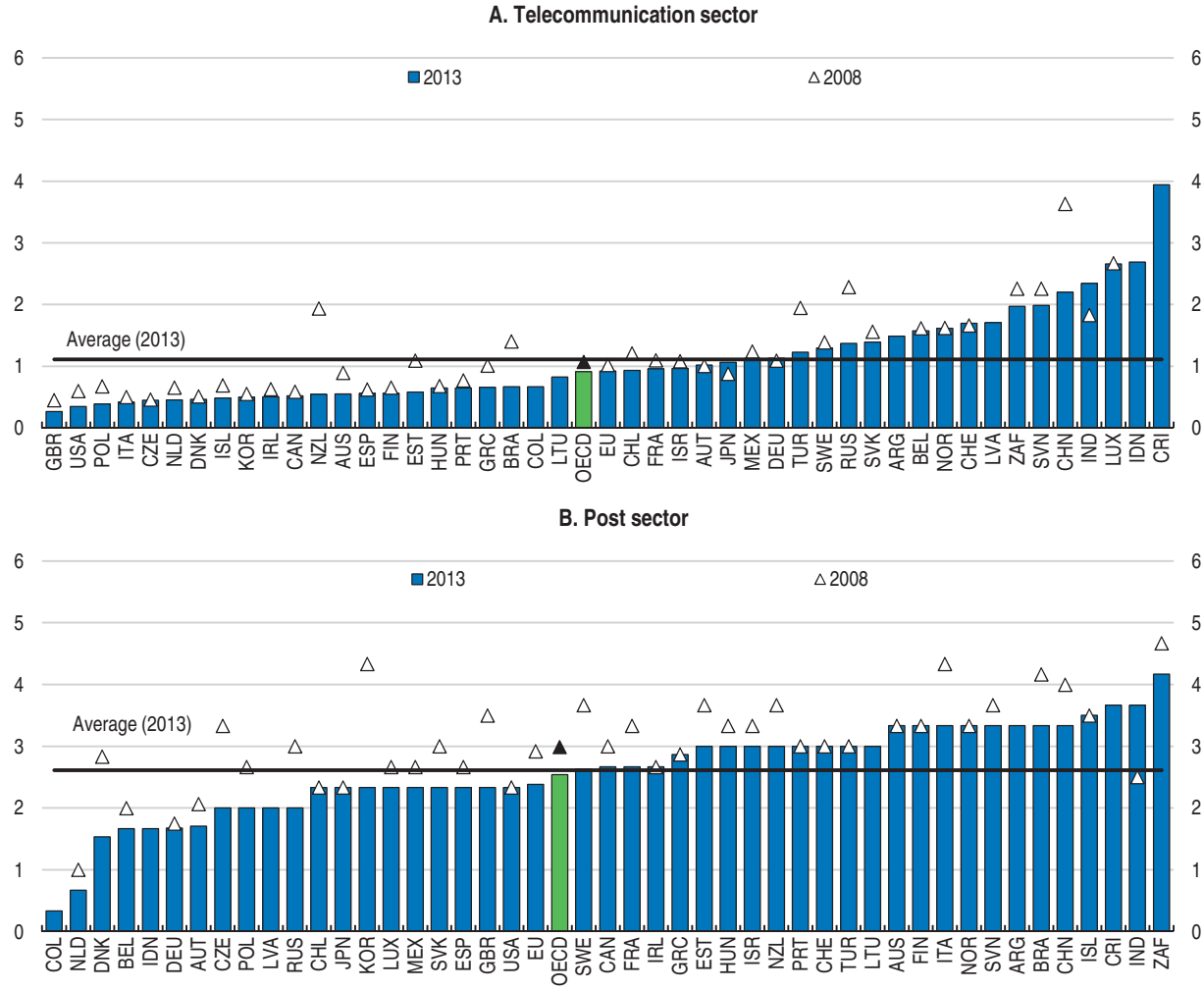


Source: OECD, *Product Market Regulation Database* and Koske, I., I. Wanner, R. Bitetti and O. Barbiero, (2015), "The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries", *OECD Economics Department Working Papers*, 1200/2015; *OECD-WBG Product Market Regulation Database* for Argentina, Colombia and Costa Rica.

StatLink http://dx.doi.org/10.1787/888933456460

Figure 4.20. **Sectoral regulation in the post and telecommunication sectors**

Index scale of 0-6 from least to most restrictive

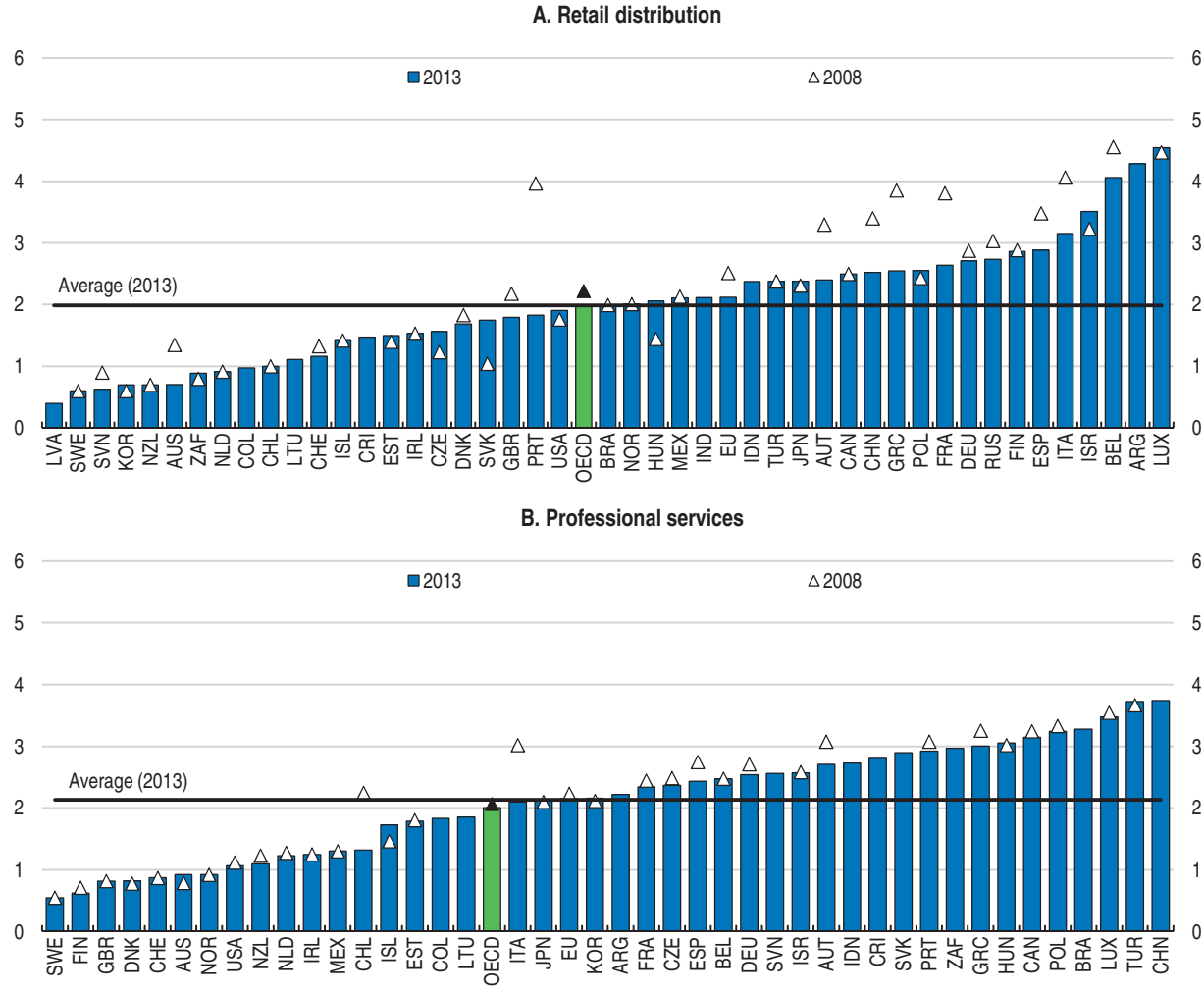


Source: OECD, *Product Market Regulation Database* and Koske, I., I. Wanner, R. Bitetti and O. Barbiero, (2015), "The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries", *OECD Economics Department Working Papers*, 1200/2015; *OECD-WBG Product Market Regulation Database* for Argentina, Colombia and Costa Rica.

StatLink http://dx.doi.org/10.1787/888933456477

Figure 4.21. **Sectoral regulation in retail and professional services**

Index scale of 0-6 from least to most restrictive

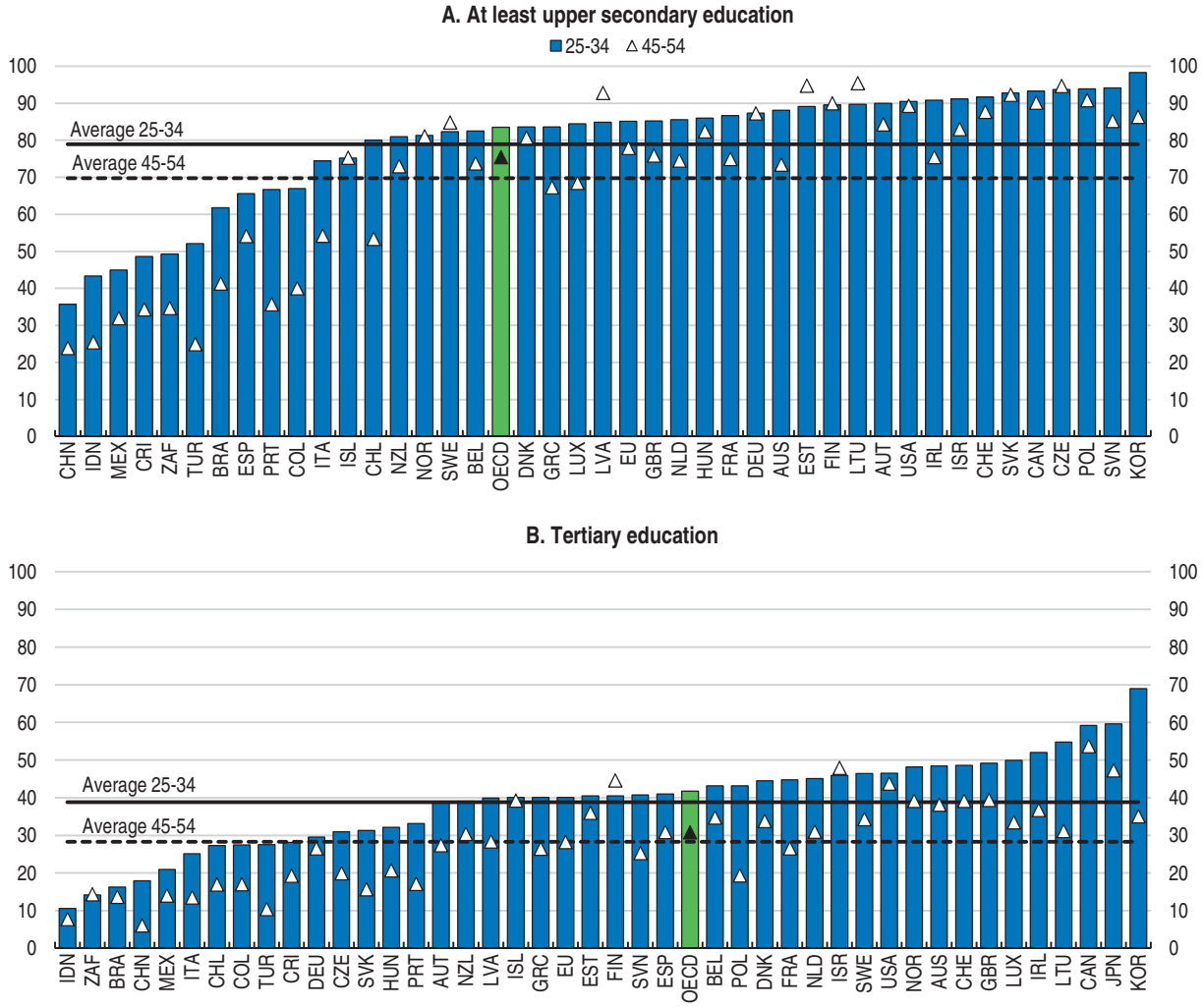


Source: OECD, *Product Market Regulation Database* and Koske, I., I. Wanner, R. Bitetti and O. Barbiero, (2015), "The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries", *OECD Economics Department Working Papers*, 1200/2015; *OECD-WBG Product Market Regulation Database* for Argentina, Colombia and Costa Rica.

StatLink http://dx.doi.org/10.1787/888933456486

Figure 4.22. **Educational attainment**

As a percentage of population aged 25-34 and 45-54, 2015[1]



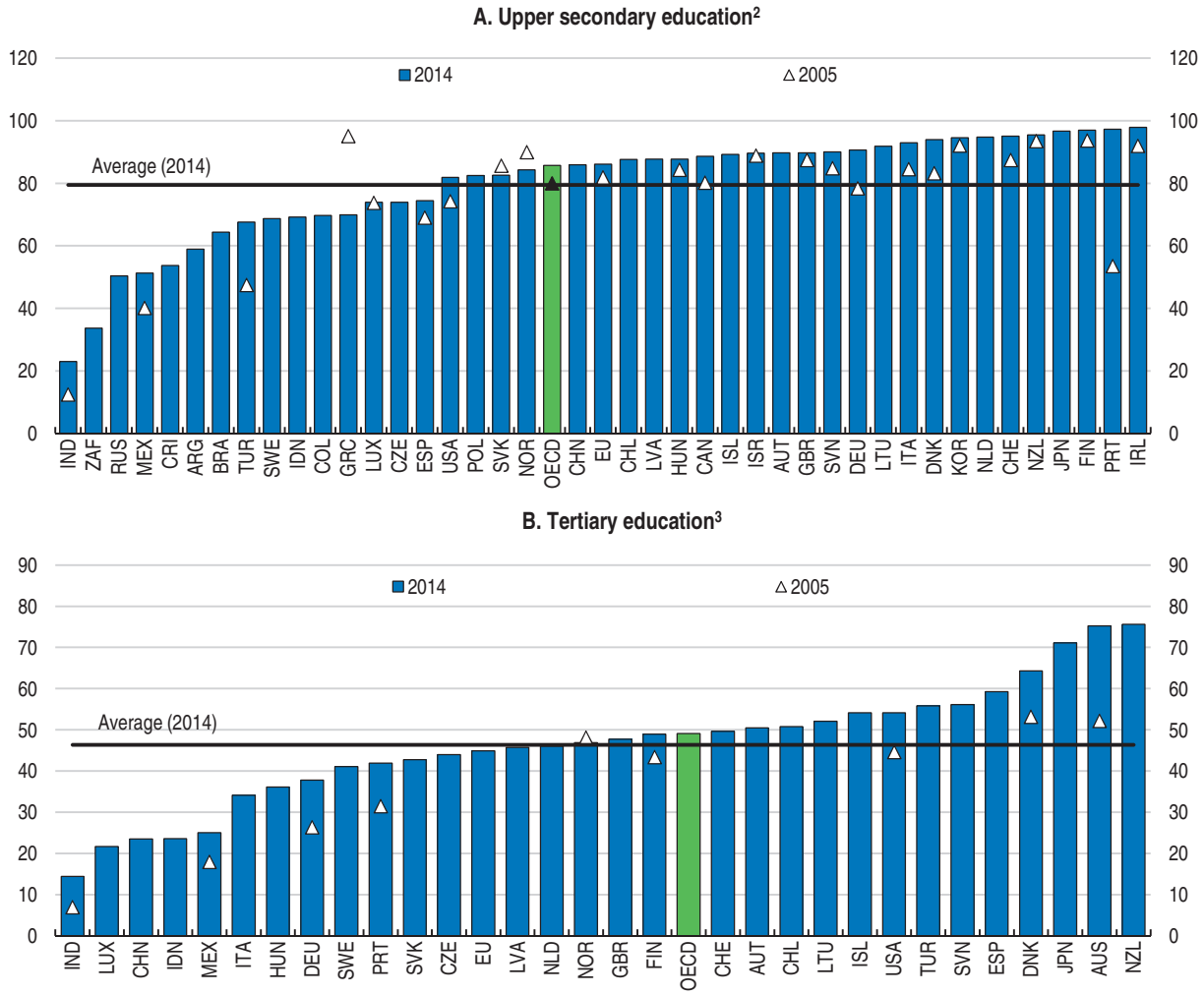
1. Data refer to 2014 for Brazil, France and South Africa; 2013 for Chile and Indonesia; 2010 for China.

Source: OECD, *Education at a Glance 2016: OECD Indicators.*

StatLink http://dx.doi.org/10.1787/888933456497

Figure 4.23. **Graduation rates in upper secondary and tertiary education**[1]

Percentage



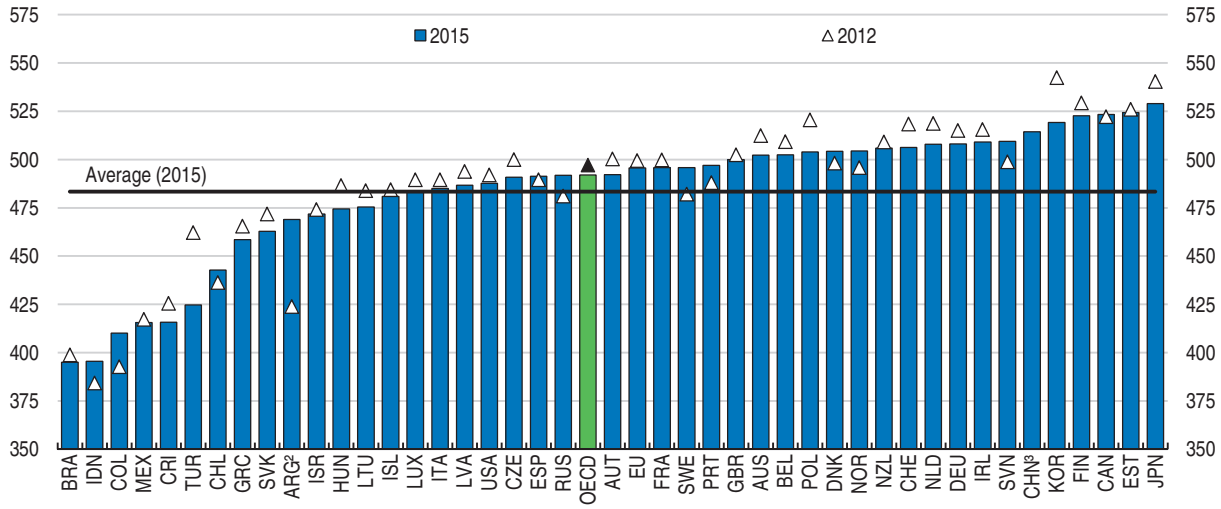
1. Graduation rates represent the estimated percentage of people from a given age cohort that is expected to graduate at some point during their lifetime. This estimate is based on the number of graduates in a given year, regardless of their age, divided by the size of the average cohort of the typical age of graduation.
2. First-time graduation rates for ISCED 3. Estimated graduation rates can be very high, even above 100%, when a significant number of people above the typical age of graduation return to school. This is the case for Portugal, as a result of the New Opportunities programme. For India, upper secondary education is defined as persons aged 19 year olds who completed upper secondary education and data refer to 2007-08 instead of 2005. The last available year is 2013 for Argentina, Canada, Iceland, Ireland and Switzerland; 2012 for Greece and the United Kingdom.
3. First-time graduation rates for ISCED 5 to 7. For India, tertiary education refers to the 24 year olds and over who have graduated and data refers to 2007-08 instead of 2005. The last available year is 2013 for Canada and Iceland.

Source: OECD, *Education at a Glance 2016: OECD Indicators*; India National Sample Survey.

StatLink http://dx.doi.org/10.1787/888933456502

Figure 4.24. **Educational achievement**

Average of PISA scores in reading, mathematics and science[1]



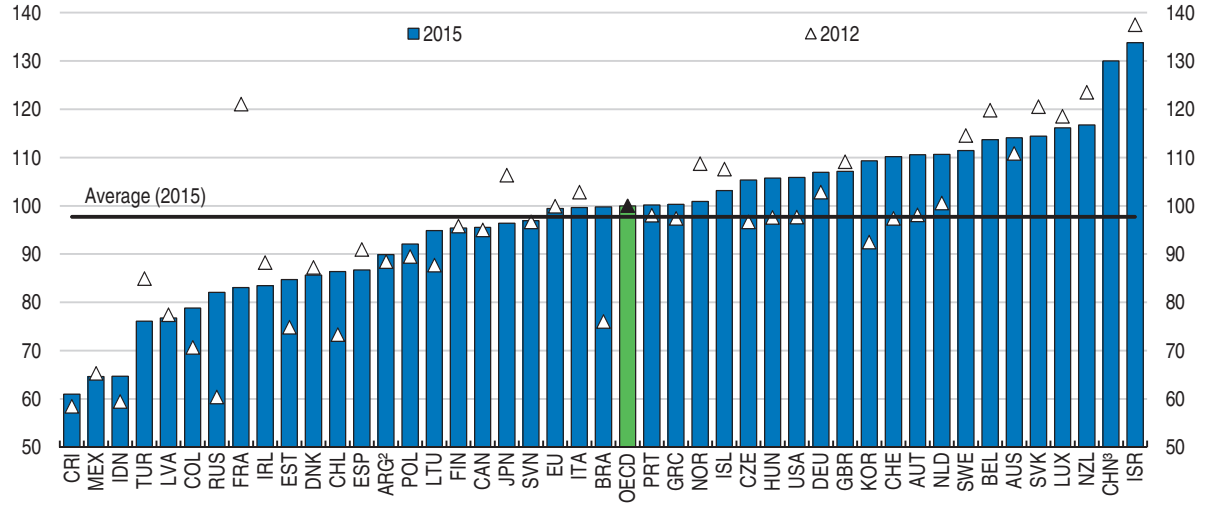
1. PISA is the Programme for International Student Assessment.
2. Data refers to the region of Ciudad Autónoma de Buenos Aires. Coverage is too small to ensure comparability (see Annex A4 of PISA 2015 Results, Volume I: Excellence and Equity in Education).
3. Data refers to the four PISA participating Chinese provinces: Beijing, Shanghai, Jiangsu and Guangdong.

Source: OECD (2016), *PISA 2015 Results (Volume I): Excellence and Equity in Education*, PISA.

StatLink http://dx.doi.org/10.1787/888933456519

Figure 4.25. **Variance of educational achievement**

Total variance in PISA scores in reading, mathematics and science[1]



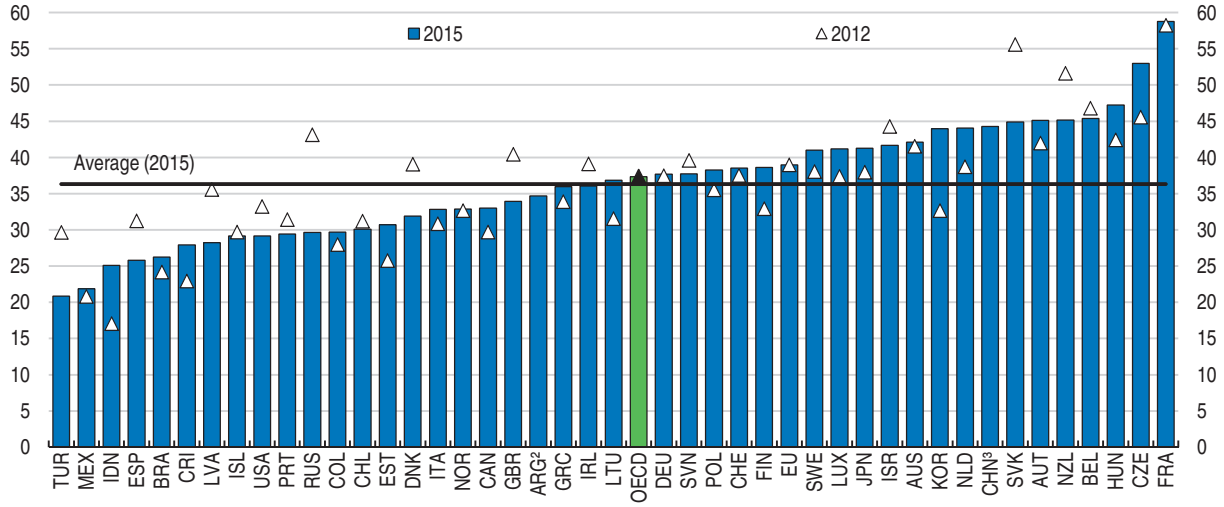
1. PISA is the Programme for International Student Assessment. OECD = 100. The variance components in mathematics, sciences and reading were estimated for all students in participating countries with data on socio-economic background and study programmes. The variance in student performance is calculated as the square of the standard deviation of PISA scores in reading, mathematics and science for the sample of students used in the analysis. Average of PISA scores in mathematics and reading only in 2015 for France.
2. Data refers to the region of Ciudad Autónoma de Buenos Aires. Coverage is too small to ensure comparability (see Annex A4 of PISA 2015 Results, Volume I: Excellence and Equity in Education).
3. Data refers to the four PISA participating Chinese provinces: Beijing, Shanghai, Jiangsu and Guangdong.

Source: OECD (2016), *PISA 2015 Results (Volume I): Excellence and Equity in Education*, PISA.

StatLink http://dx.doi.org/10.1787/888933456525

Figure 4.26. **Influence of socio-economic and cultural background on student reading performance**[1]

Change in the reading score per unit change in the socio-economic index



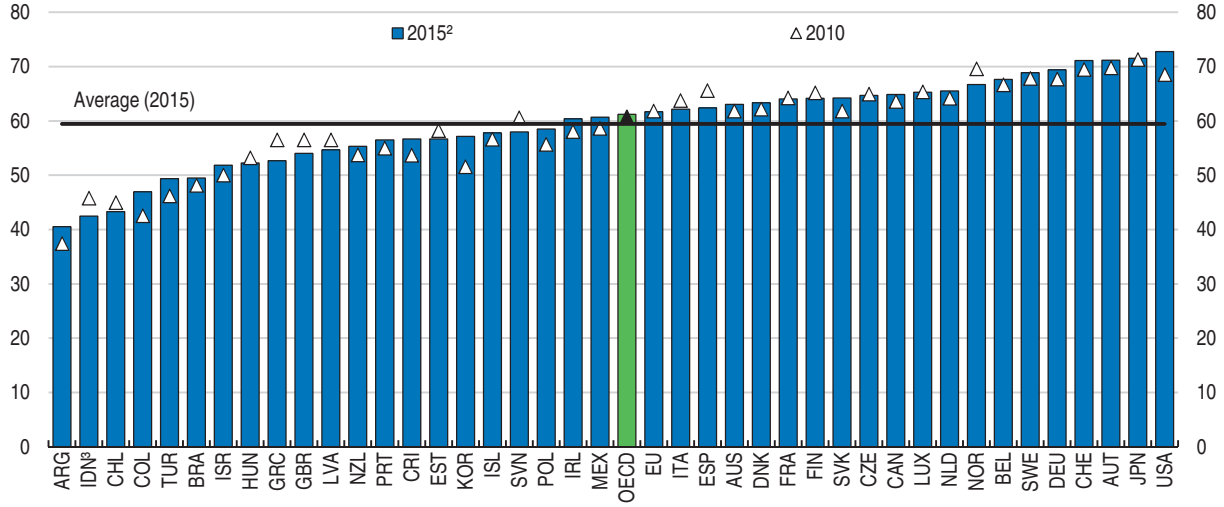
1. Defined as the estimated coefficient from the country-specific regression of PISA reading performance on corresponding index of economic, social and cultural status (ESCS).
2. Data refers to the region of Ciudad Autónoma de Buenos Aires. Coverage is too small to ensure comparability (see Annex A4 of PISA 2015 Results, Volume I: Excellence and Equity in Education).
3. Data refers to the four PISA participating Chinese provinces: Beijing, Shanghai, Jiangsu and Guangdong.

Source: OECD (2016), *PISA 2015 Results (Volume I): Excellence and Equity in Education*, PISA.

StatLink http://dx.doi.org/10.1787/888933456531

Figure 4.27. **Share of direct taxes**[1]

As a percentage of total tax revenue



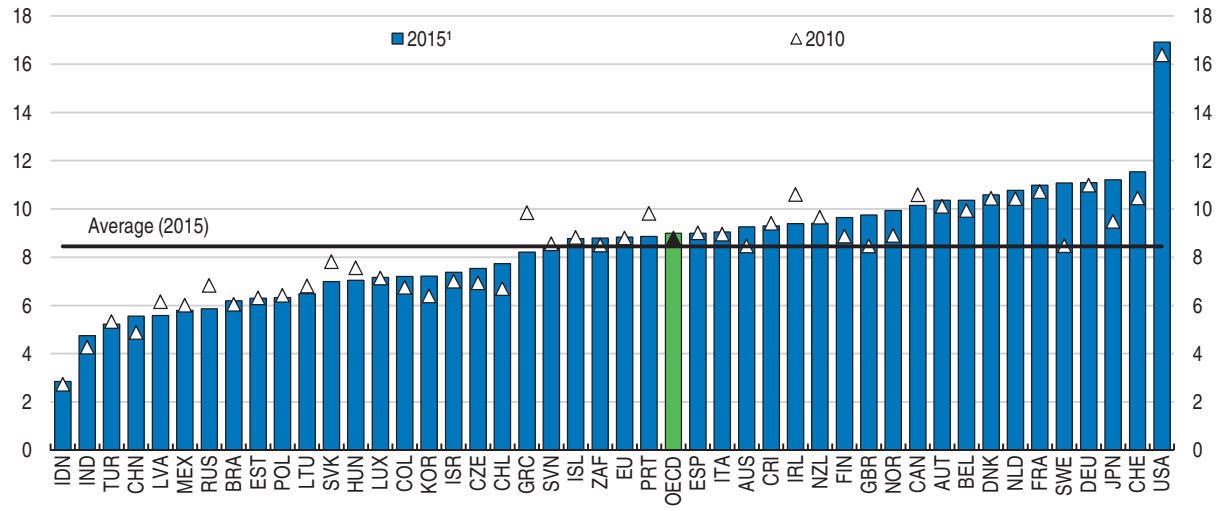
1. Direct taxes aggregate taxes on income, profits and capital gains, social security contributions and taxes on payroll and workforce.
2. The last available year is 2014 for Argentina, Australia, Brazil, Colombia, Costa Rica, Indonesia, Japan, Mexico and Poland.
3. For Indonesia, direct taxes only comprise taxes on income, profits and capital gains.

Source: OECD, *Revenue Statistics Database*.

StatLink http://dx.doi.org/10.1787/888933456547

Figure 4.28. **Health expenditure**

As a percentage of GDP



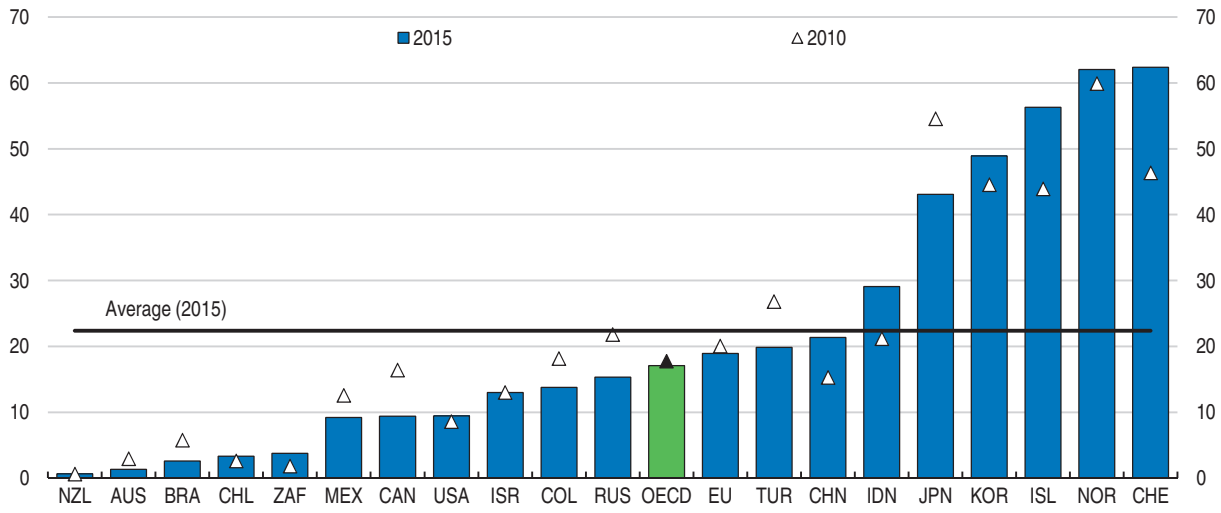
1. Data refer to 2014 for China, Colombia, Costa Rica, India, Indonesia, the Russian Federation and South Africa; 2013 for Brazil.

Source: OECD, *Health Database*.

StatLink http://dx.doi.org/10.1787/888933456553

Figure 4.29. **Producer support estimate to agriculture**

As a percentage of farm receipts[1]



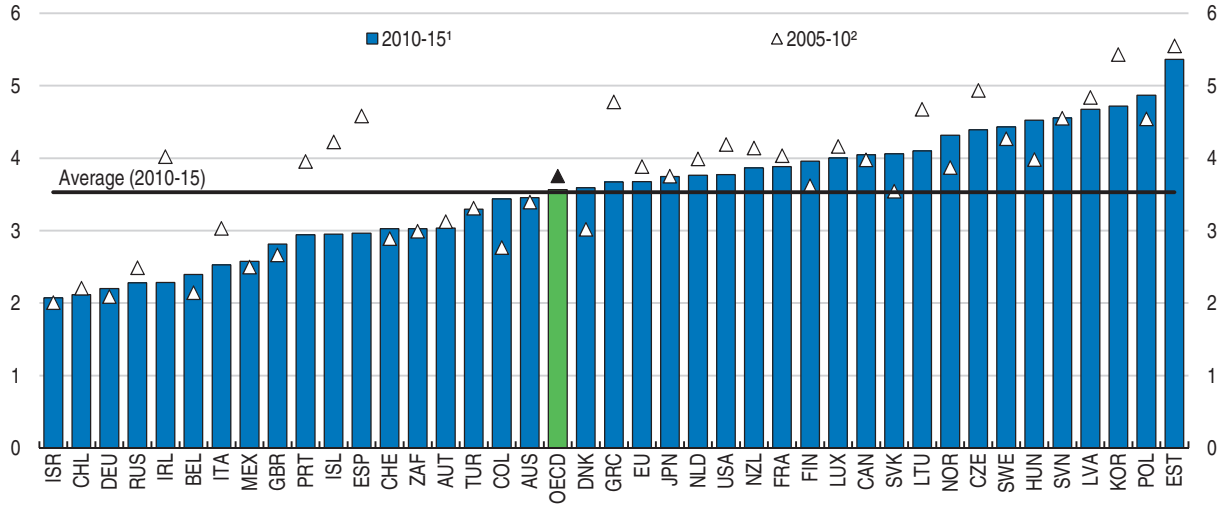
1. EU refers to all 28 members of the European Union. The last available year is 2014 for the Russian Federation.

Source: OECD, *Producer and Consumer Support Estimates Database*.

StatLink http://dx.doi.org/10.1787/888933456564

Figure 4.30. **Public investment**

As a percentage of GDP



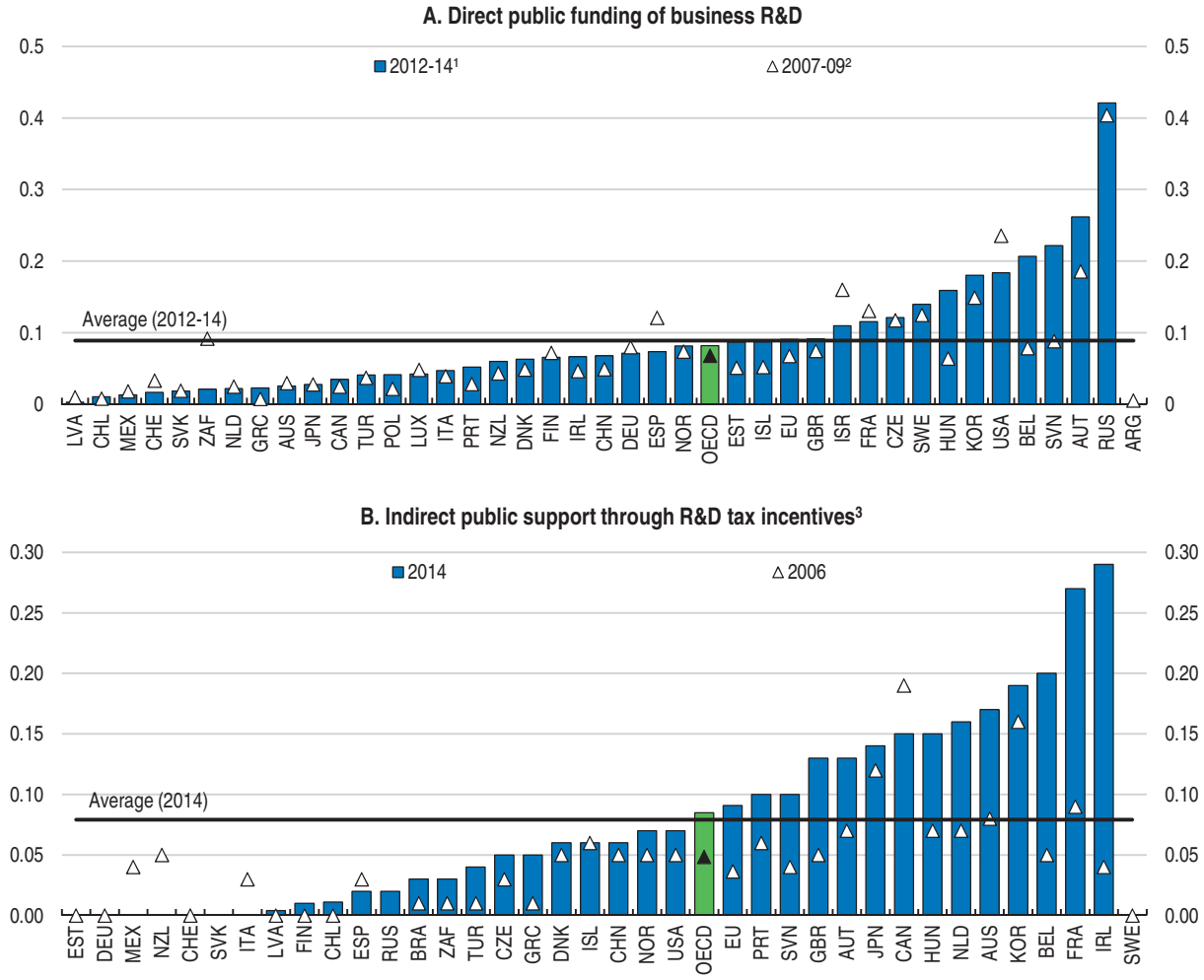
1. Average 2010-14 for Chile, New Zealand, the Russian Federation and Turkey; 2010-13 for Mexico.
2. Average 2006-10 for Turkey.

Source: OECD, *Economic Outlook Database*.

StatLink http://dx.doi.org/10.1787/888933456570

Figure 4.31. **Financial support for private R&D investment**

As a percentage of GDP



1. Average of years 2012 and 2013 for Belgium, France, Israel, Italy, Portugal and the United States; 2014 for Latvia; 2013 for Australia, Austria, Iceland, New Zealand and Sweden; 2012 for Switzerland and South Africa. Data are not available for Argentina.
2. Average of years 2007 and 2009 for Austria, Luxembourg, the Netherlands, New Zealand, Poland and Sweden; 2008 for Switzerland; 2007 for Greece; 2006 for Latvia.
3. The last available year is 2013 for Australia, Brazil, China, France, Iceland, Italy, New Zealand and the United States; 2012 for Belgium, South Africa and Switzerland; 2011 for Mexico and the Russian Federation. Instead of 2006, data refer to 2011 for Iceland; 2009 for China; 2008 for Chile, New Zealand, Switzerland and Turkey; 2007 for Belgium, Denmark, Italy, Korea, Mexico, Slovenia and Sweden.

Source: Panel A: OECD, *Science and Technology Indicators Database*; Panel B: OECD, *R&D Tax Incentives Database*, *www.oecd.org/sti/rd-tax-stats.htm*, December 2016.

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