

CHINA

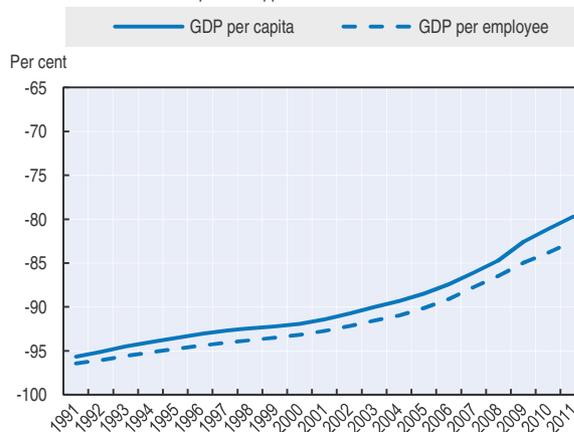
- GDP per capita soared by close to 55% in the five years to 2012, substantially narrowing the gap with OECD countries. Labour force participation rates remain above OECD average and the difference in income per head essentially reflects lower capital per worker.
- Progress has been made in key priority areas, *e.g.* some reduction of state intervention in product markets by easing administrative burdens on companies and the adoption of measures to facilitate internal population flows by issuing guidelines concerning the rights of migrants.
- However, more needs to be done to lower barriers to entry for private firms, for instance, by further reducing state intervention in the private sector and in financial markets and by enhancing the rule of law. In addition, encouraging labour mobility by reducing educational inequalities and enabling reallocation of labour to high-productivity sectors should also help boost productivity.
- Strengthening migrants' social protection and rights and reducing human capital differentials across the country should improve productivity while also reducing income inequalities.

Growth performance indicators

A. Average annual growth rates

	Per cent	
	2001-06	2006-11
GDP per capita	10.0	10.0
Labour utilisation ¹	0.0	-0.1
Labour productivity	10.0	10.1

B. The large gaps in GDP per capita and productivity continue to narrow rapidly
Gap to the upper half of OECD countries²



1. Labour utilisation is defined as the ratio of total employment over population.

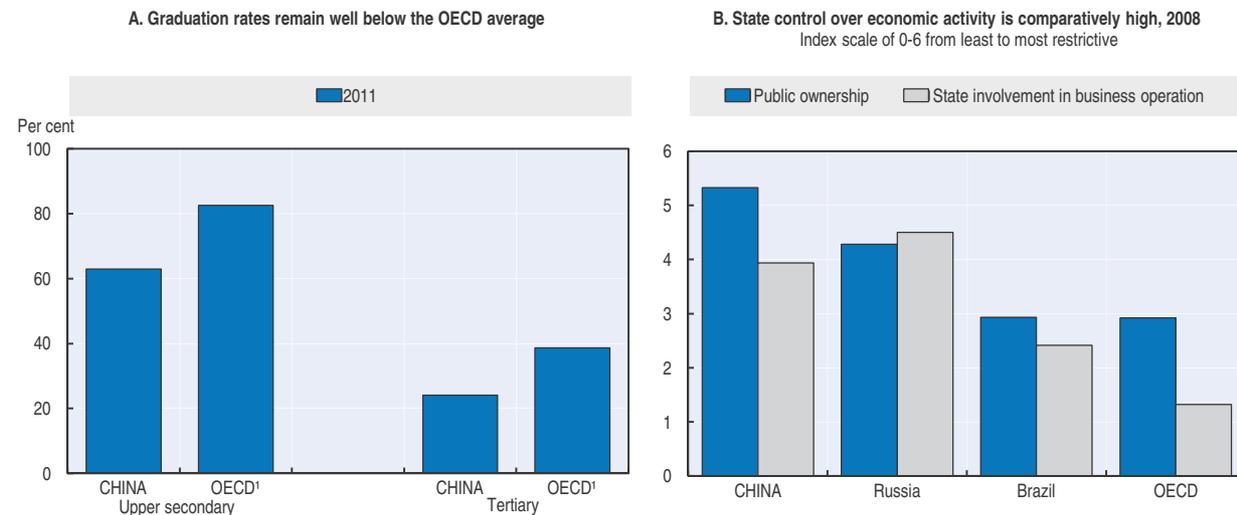
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita and GDP per employee (in constant 2005 PPPs).

Source: OECD, *National Accounts and OECD Economic Outlook 92 Databases*; World Bank (2012), *World Development Indicators (WDI) Database* and China Ministry of Human Resources and Social Security.

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Policy indicators



1. Data refer to 2010. Graduation rate at upper secondary level (first-time graduate) and graduation rate for typical age at tertiary-type A level (first-time graduate).

Source: OECD, *Education at a Glance 2012* and *Product Market Regulation Databases*; *China Statistical Yearbook*.

StatLink <http://dx.doi.org/10.1787/888932776200>

Identifying Going for Growth 2013 priorities

Priorities supported by indicators

Open the state-controlled sector to private investment. State-owned companies dominate a number of sectors and are less efficient than private companies, harming efficiency.

Actions taken: The State Council issued new guidelines for opening a number of sectors to private enterprises in February 2012. A set of regulations to implement this decision is to be issued.

Recommendations: Encourage the establishment of new privately-owned companies in areas such as electricity distribution, telecommunication and airlines – which are currently dominated by large state-controlled enterprises.

Enhance outcomes and equity in education. Participation in upper secondary education is still low and variable according to place and family background, damaging human capital accumulation.

Actions taken: In February 2012, the State Council issued guidelines to cities that provision of education should not be linked to the registration status of an individual. Some local governments have started to pay a grant for each pupil attending a school for migrant children, but the amount is generally well below the cost of education for local children.

Recommendations: Reduce inequalities in access to upper secondary education across regions and within urban areas. Abolish fees and lift regional quotas for university admission and allow all children to attend upper secondary school in their place of residence.

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Ease government controls over financial markets.¹ Interest rates in the banking sector are government-controlled, as is access to capital markets, distorting capital allocation and reducing productivity growth.

Recommendations: Widen the extent to which bank lending and deposit rates can differ from the regulated rate progressively and allow residents and non-residents to invest in foreign and domestic equities and bonds.

Other key priorities

Reduce barriers to labour mobility. Urban areas benefit from economies of scale but population flows are held back by the household registration system and constraints on the supply of land, contributing to inefficient labour allocation across sectors and regions.

Actions taken: A number of cities are experimenting with a new form of resident card that gives some of the benefits associated with local registration.

Recommendations: Enhance the provision of public services and de-link them gradually from the registration status of an individual in megacities. Assess fiscal transfers from higher to lower government levels on the basis of actual rather than registered population.

Further enhance the rule of law. The enforcement of laws varies considerably across the country which creates legal uncertainty, deters profitable investment, holds back efficiency and has adverse impacts on the environment.

Actions taken: In April 2012, the Supreme Court issued summaries of major intellectual property right (IPR) decisions which offered general guidance and aid for lower courts trying IPR cases.

Recommendations: Strengthen further judicial institutions, e.g. by reducing local bias in commercial cases, to enhance the effectiveness of law enforcement.

Previous Going for Growth recommendation no longer considered a priority

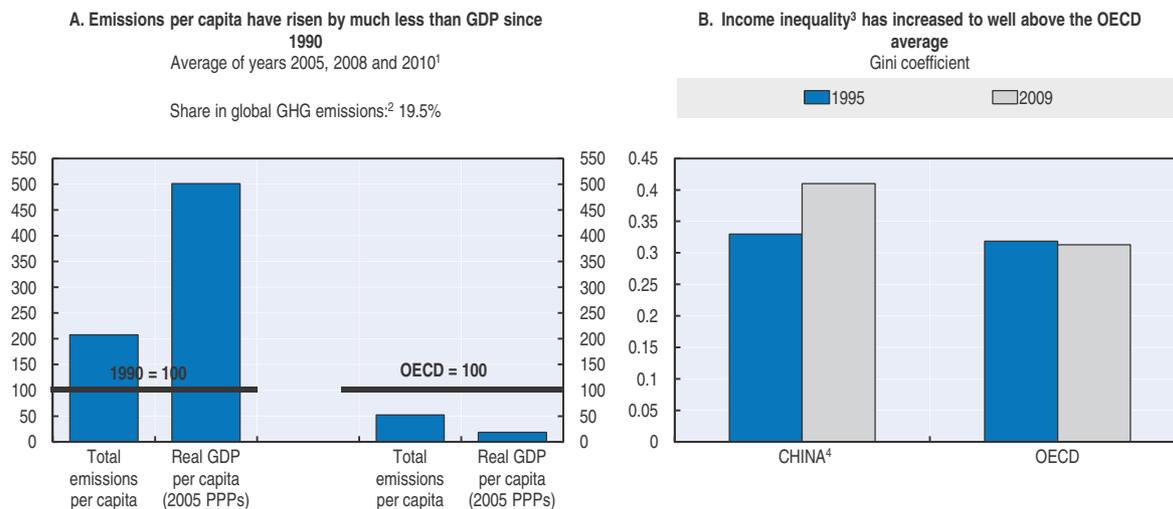
Reduce administrative burdens on companies. In order to encourage the entry of new firms, spur competition and productivity growth, it was recommended to reduce administrative burdens on companies, for instance by reducing the time needed to obtain regulatory permits and the required minimum capital.

Actions taken: Both the cost of starting a new company and the required minimum capital has fallen markedly in the past three years and the time to complete the necessary procedures has been reduced.

1. New policy priorities identified in *Going for Growth 2013* (with respect to *Going for Growth 2011*) are preceded and followed by an “*”.

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Other dimensions of well-being: Performance indicators



1. Total GHG emissions in CO₂ equivalents from the International Energy Agency (IEA) Database. These 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 IEA data and is an average of years 2005, 2008 and 2010.
3. The National Bureau of Statistics does not publish a national inequality series. It considers that the urban and rural household surveys are not conducted on a similar basis and so should not be aggregated as has been done in the series shown in the chart. In addition, the Chinese figure is based on per capita disposable income with no adjustment for household size.
4. Data refer to 1993 and 2008. For 1995, the OECD average excludes Estonia, Iceland, Korea, Poland, Slovak Republic, Slovenia and Switzerland.

Source: OECD, *Energy (IEA) Database*; OECD (2011), "Special Focus: Inequality in Emerging Economies", in *Divided We Stand: Why Inequality Keeps Rising*, OECD Publishing, and *OECD Income Distribution Database*, provisional data (www.oecd.org/els/social/inequality).

StatLink  <http://dx.doi.org/10.1787/888932776219>