Executive summary

The *Going for Growth* framework builds on OECD expertise on structural policy reforms and economic performance to provide policymakers with concrete reform recommendations to boost growth. Five policy priorities have been identified for each country, based on their ability to improve long-term material living standards through higher productivity and employment.

The structural reform priorities broadly cover product and labour market regulation, education and training, tax and benefit systems, trade and investment rules and innovation policies. *Going for Growth* reports have been published annually for OECD countries since 2005 and since 2011 have also included Brazil, China India, Indonesia, Russia and South Africa (BRIICS). They are contributing to the G20 regular work programme to achieve strong, sustainable and balanced growth.

This interim report reviews the main growth challenges faced by OECD and major non-OECD countries and takes stock of progress over the past two years in adopting structural policy reforms to address them (Chapter 1). This is examined in light of the thrust of the country-specific priorities identified in the past issues of *Going for Growth*. The potential effects of reforms on policy objectives other than GDP growth are also discussed, with a focus on public finance consolidation, the narrowing of current account imbalances and the reduction of income inequality.

The report also updates the OECD product market regulation (PMR) indicators, which measure the stance of regulatory barriers to competition in various business sectors such as network industries (energy, telecommunications and transport), professional services and retail distribution (Chapter 2). These indicators have become widely used by national governments as well as international organisations and academia.

Key policy messages

Policy reform progress and challenges

- The crisis has dented potential growth of many advanced economies, while some emerging economies are running into bottlenecks. A return to healthy and sustainable growth calls for ambitious and comprehensive structural reforms, covering a broad range of policy areas.
- Governments have continued to make progress on many fronts despite the challenge of reforming in a subdued growth environment. The pace of actions taken in areas covered by OECD policy recommendations has slowed somewhat over the past two years but remains overall well above the pace observed before the crisis. The intensity of reform

has remained highest in euro area countries under direct market pressures or financial assistance programmes.

- In terms of reforms aimed at boosting productivity, more focus has been put on actions to raise public sector efficiency, to improve educational outcomes and to ease product market regulation, and somewhat less on taxation and infrastructure. In areas of labour market and social policies, reform action has been more intense in areas such as early retirement schemes, programmes providing income support and job-search assistance, as well as in employment protection legislation.
- Despite recent improvements in the economic outlook, countries continue to face challenges in various structural areas. A number of OECD countries are confronted with slowing productivity growth in spite of relatively high investment in knowledge-based capital and good quality tertiary education (Australia, Canada, New Zealand, United Kingdom and Switzerland).
- In the case of emerging-market countries (Brazil, China, Chile, Indonesia, India, Mexico, Russia, Turkey and South Africa), the need to improve access to quality-education, to address physical and legal infrastructure bottlenecks and, in most cases, to bring more workers into formal-sector employment constitute the main policy priorities.
- Persistently high unemployment is a concern that cuts across much of Europe, but particularly so in southern and central European countries where long-term unemployment remains high, even where average unemployment has receded since the crisis. The contributing factors, which vary across countries, include various barriers to job creation and workers' mobility, as well as insufficient support for job-search and skills development. In southern euro area countries, which have been hardest hit by the crisis, more vigorous product market reforms would help boost the impact of the substantial labour market reforms that have been implemented in recent years.
- In some OECD countries which face particularly rapid population ageing (Germany, Japan and Korea), bringing more women into the labour market and ensuring that they are fully integrated remain key challenges, along with the need to boost productivity in services.
- In countries where income inequality is particularly high, actions taken recently on policy priorities should for the most part help to narrow income distribution, although this may take time. On the other hand, actions taken to boost growth in countries facing the largest current account imbalances are unlikely overall to contribute much to narrowing these imbalances.

Progress achieved in reducing regulatory barriers to competition

- Product market regulation is essential for well-functioning market-based economies, not least to protect market integrity, but also to achieve environmental, health and safety objectives. However, in all product market areas where competition is viable, regulatory settings should promote rather than inhibit competition.
- More specifically, that means reforming regulations that create barriers to market entry, limit the ability of firms within a market to compete, reduce suppliers' incentives to compete, or limit the choices and information available to consumers.
- The 2013 up-date of the OECD PMR indicators shows that reforms in this area have slowed over the past five years, a trend that was already apparent. Nonetheless, several

countries implemented significant reforms over the past five years – in particular Greece, Poland, Portugal and the Slovak Republic.

- In general, countries have made more progress in the past five years in easing restrictions on the sale of government stakes, in reducing the impact of price controls on competition, in streamlining administrative procedures for start-ups, in improving access to information about regulations and in phasing out practices that discriminate against foreign suppliers.
- Still, regulatory barriers to competition remain elevated in a number of areas. The domains with largest scope for improvement in both OECD and non-OECD countries include public ownership and the governance of state-owned enterprises, as well as regulatory barriers to entry in network and professional services.