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Economic Policy Reforms
Going for Growth

PART I

Chapter 1

Responding to the *Going for Growth 2007* Policy Priorities: An Overview of Progress

This chapter provides an overview of the progress achieved by OECD countries over the past year in taking measures consistent with the policy priorities identified in the 2007 edition. Some action has been taken in almost two-thirds of the policy priorities previously identified. Important steps were taken to reform competition-restraining regulations in product markets, education and labour taxation in most countries where these were seen as priorities. However, less progress has been made in responding to priorities for specific labour market policies.

Introduction

The 2007 edition of *Going for Growth* identified five structural policy priorities for each OECD country and the European Union to raise GDP per capita. This indicator is a good proxy for material living standards, which exert an important – albeit far from exclusive – influence on overall well-being (see Box 1.1). The priorities aimed at reforming policies that currently hold back advances in material living standards by discouraging efficiency and labour utilisation. They were concentrated on labour and product market policies, but also included policies related to education, health and innovation.

Box 1.1. **GDP per capita and well-being**

GDP per capita is the most commonly used measure of material living standards because it is readily available for a large number of countries on a timely basis. However, it does not capture some aspects that may be important for assessing overall well-being, including the value of leisure or inequality of income. Nonetheless, as discussed in the 2006 issue of *Going for Growth*, there is a close relationship in most cases between GDP per capita and other measures of economic well-being, such as net national income per capita or GDP per capita adjusted for leisure and income inequality. There are nevertheless exceptions. For example, although Ireland has almost caught up with the level of GDP per capita of the United States, foreign investors now lay claim to a significant share of profits and therefore less convergence has been achieved on the basis of national income per capita. For the Czech Republic and Poland, the increase in net outward transfers of income over the past decade has also had a substantial effect in slowing the growth of national income relative to output. Moreover, countries specialised in producing ICT equipment (Korea, Finland and Sweden) have experienced strong gains in productivity, but the impact of these gains on real income has been partly offset by adverse external terms-of-trade changes brought about by the decline in the price of exported high-tech equipment relative to other types of goods and services. In contrast, resource-rich countries (*e.g.* Australia, Canada and Norway) as well as those specialised in certain types of services (*e.g.* financial services) have benefited from favourable external terms-of-trade developments.

This chapter provides an overview of the progress that countries have made over the past year on these identified policy priorities. A set of individual notes for each OECD country and the European Union as a whole give more details on progress for each of the five specific priorities (see Chapter 2). The monitoring reflected in the chapter covers legislation or other decisions to implement reforms, as well as earlier stages of reforms, such as government statements, formal consultation and draft legislation presented to parliaments. In the absence of updated quantitative policy indicators, the assessment of progress is qualitative in nature. The chapter focuses on whether reforms have been undertaken or planned that are in line with the general thrust of the country-specific priorities rather than whether they correspond to the detailed formulation of the priorities in the country notes.

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The review covers a period during which a number of OECD countries enjoyed a strong economic upswing, although short-term growth prospects are currently being revised down. Buoyant growth and falling unemployment should have provided an opportunity to intensify structural reforms as adjustment costs are frequently lower or easier to absorb under these circumstances. However, as discussed in last year's report, experience shows that good economic conditions are not always exploited to implement structural reforms. Indeed, cyclical upswings may retard structural reforms as they temporarily mask underlying weaknesses.

A year is a relatively short period in the context of implementing structural reform and there clearly are limits to how much progress can be expected within such a timeframe. With the caveat this implies in terms of assessing the pace of reform, the review in this chapter suggests that reforms neither intensified nor slowed down over the past year compared with earlier years. While some progress was made on the majority of policy priorities, the reform process in most countries continued to be characterised by incremental changes, with greater emphasis on measures to improve productivity performance than to strengthen labour utilisation:

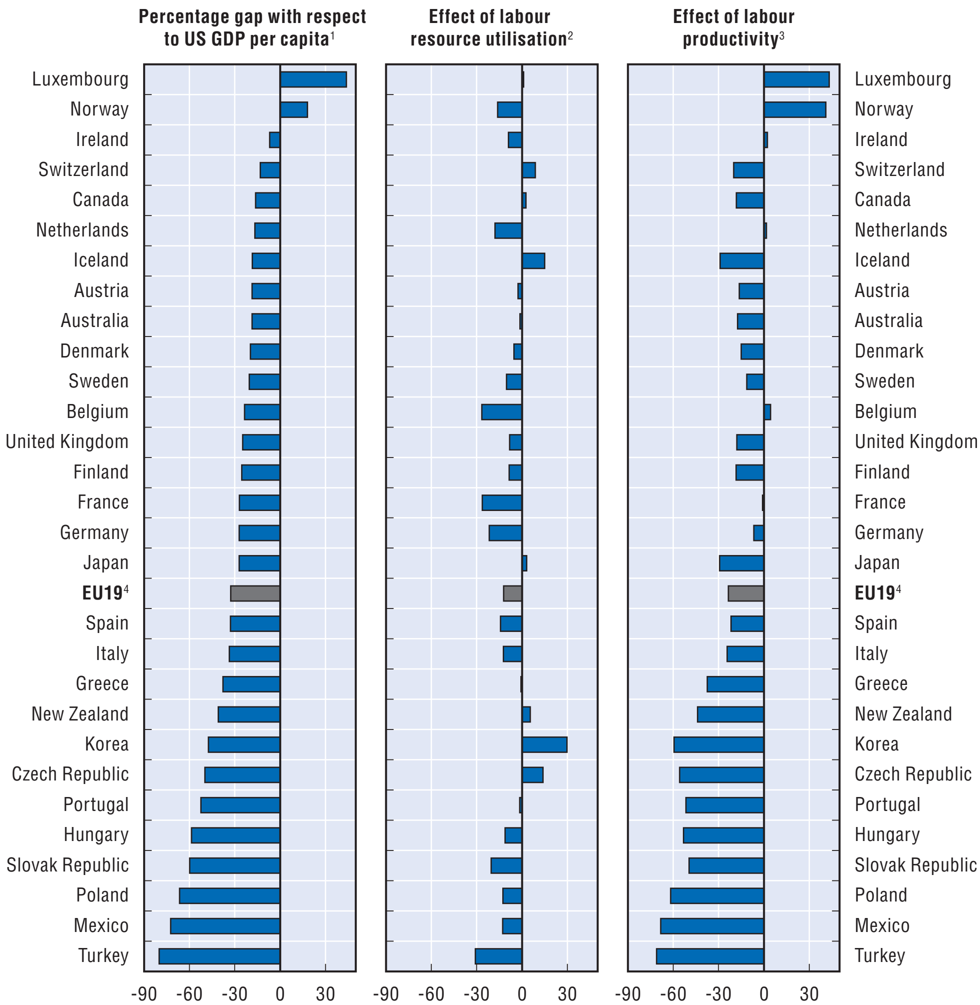
- With respect to policy priorities to raise labour productivity, countries concerned have taken measures that are broadly consistent with the recommendations. Thus, moves are underway or have already been taken to ease entry and operational controls, strengthen human capital formation and reform various other policy areas that affect labour productivity. The exception to this pattern is the absence of significant agricultural reforms, though in some countries partial reforms that were previously announced have begun to be implemented.
- With respect to policy priorities to raise labour utilisation, reforms along the lines of the identified policy priorities have in most cases neither taken place, nor been planned. For example, few moves are underway to reduce the implicit tax on continued work at older ages where this is high, tax wedges have been cut only selectively and reforms of employment protection legislation, minimum labour cost and wage bargaining systems have been virtually absent. However, a greater tendency to reform can be observed in the area of disability and sickness benefit systems for the countries where this was identified as a priority, as well as in the area of reducing disincentives for women to re-enter the labour market following absence due to time taken off to raise children.

While some action was taken in many cases, it often did not correspond fully to the identified policy priority. Therefore, in the vast majority of cases, the priorities reported in the 2007 edition of *Going for Growth* still remain valid.

Progress in reforming policies to improve labour productivity performance

The policy priorities aimed at improving productivity performance were concentrated on countries with a large gap in output per hour worked *vis-à-vis* the United States (Figure 1.1) or weak productivity growth over the past decade (Figure 1.2). Thus, while reforms in this area were identified for all OECD countries, they were particularly prevalent in non-US North American and Asian member countries, as well as in a few of the smaller European countries and at the level of the European Union as a whole. The suggested policy remedies in this domain included the easing of entry and controls over business operations in specific product markets, cuts in agricultural support, measures to improve educational outcomes and various other measures.

Figure 1.1. **The sources of real income differences, 2006**



1. Based on 2006 purchasing power parities (PPPs). 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 for Greece take into account a 10% upward revision to the level of GDP as agreed to by Eurostat in October 2007.
2. Labour resource utilisation is measured as total number of hours worked per capita.
3. Labour productivity is measured as GDP per hour worked.
4. EU19 is an aggregate covering countries that are members of both the European Union and the OECD. These are the EU15 countries plus the Czech Republic, Hungary, Poland and the Slovak Republic.

Source: OECD, *National Accounts of OECD Countries*, 2007; *OECD Economic Outlook*, No. 82; and *OECD Employment Outlook*, 2007.

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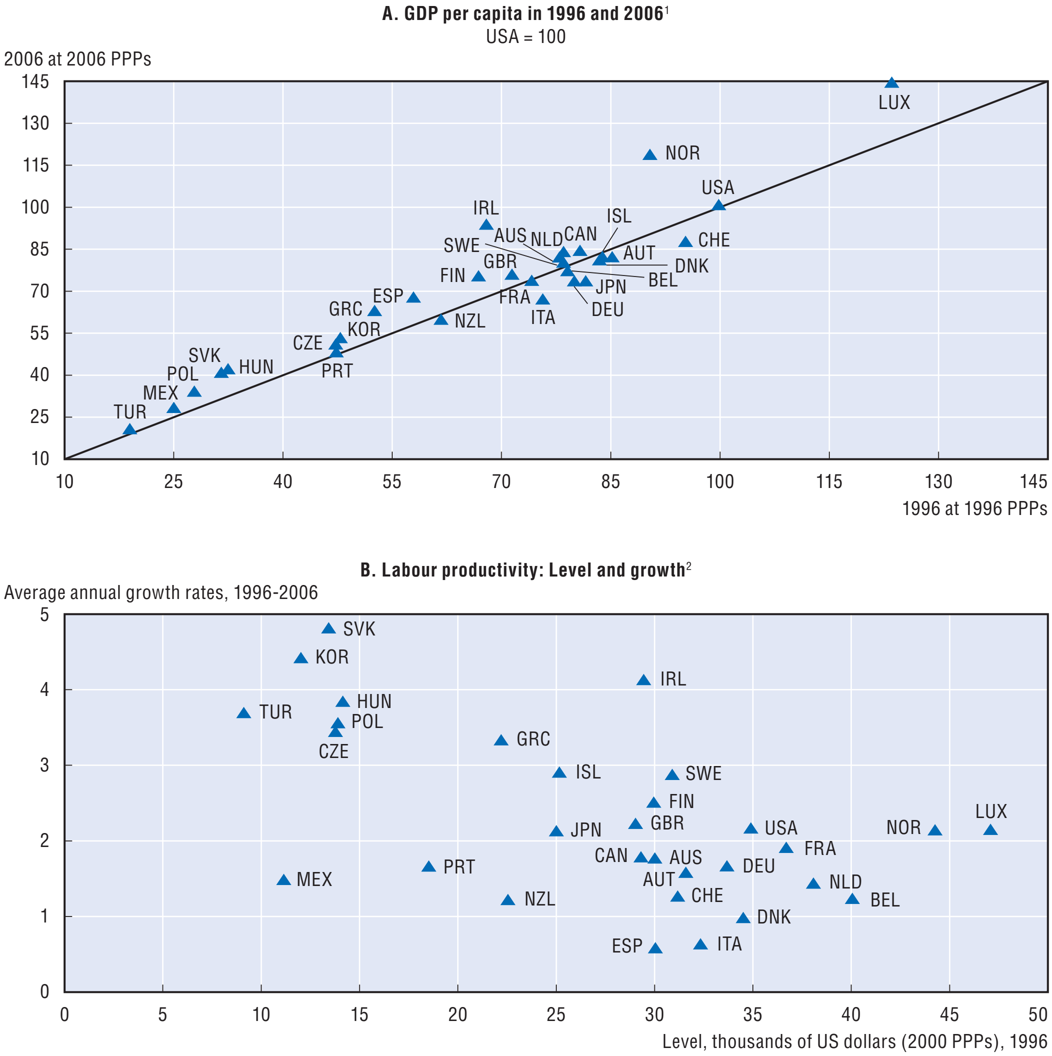
Easing of entry and operational controls

The easing of entry controls and other competition-restraining regulations in product markets was identified as a policy priority in a large set of countries as well as for the European Union as a whole. As regards the latter, the adoption of the Services Directive in December 2006 should intensify cross-border competition between EU member countries once it has been transposed into national legislation in 2009. However, its competition-raising impact is weakened by many service industries being excluded from the directive. Also, the objectives of earlier directives on gas and electricity deregulation to create EU-wide energy markets have been undermined by the failure of member states to

Figure 1.2. **GDP per capita and per hour worked: level and change**



1. 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.
2. Measured as GDP per hour worked in constant prices at 2000 PPPs. For Poland, the level refers to 2000 and the growth rate to 2000-06.

Source: OECD, *National Accounts of OECD Countries*, 2007; and *OECD Employment Outlook*, 2007.

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implement them properly, leading the European Commission to launch infringement proceedings against 20 EU countries, while the deregulation of the market for standard letters has been postponed to 2011. With a view to strengthening competition, the Commission has proposed to further separate transmission and generation activities but has fallen short of calling for mandatory full ownership unbundling. As planned, most of the Financial Services Action Plan has now been implemented, but the single euro payments area (SEPA) will need a further push if it is to be up and running on time; furthermore, the Takeover Directive has been implemented by member countries in such a way that, contrary to the original intention, it effectively allows for more defensive corporate behaviour than was permitted under the national legislation of several member states.

At the national level, around half of the European countries for which relaxing competition-restraining regulations was considered a priority have taken measures, or are at earlier stages in reforms, in line with the recommendations (Tables 1.1 and 1.2):

- Entry restrictions have been eased in several countries. In network industries, entry has been, or will be, facilitated by ownership or accounting separation of network elements from other activities, free choice of suppliers, mandatory third-party access and public tendering as well as enhanced power of industry regulators (most notably in Greece, Ireland, the Netherlands and Switzerland). Significant steps forward were also recorded in a broad range of services in Italy; Germany has eased entry controls in professional services; and France has taken measures to relax entry barriers in a few sectors. However, little progress has been made in reducing entry controls in general in countries where this was seen as a priority (Iceland and Norway) or in relaxing regulation in the retail distribution sector

Table 1.1. **Progress achieved in countries with recommendations to reduce entry and operational controls**

"X" denotes action

	Reviews/laws announced	Public consultation	Legislation concluded	Other measures	No significant measures
Reduce entry controls in services and/or industries in general					
France				X	
Iceland					X
Italy			X		
Korea			X		
Norway					X
Reduce entry controls in network industries					
Australia	X		X		
Austria					X
Canada					X
Greece			X		
Ireland			X		
Korea					X
Mexico		X			
Netherlands			X		
New Zealand	X				
Portugal				X	
Switzerland			X		
Reduce entry controls in professional services					
Austria	X				
Canada	X			X	
Germany				X	
Luxembourg					X
Poland					X
Reduce entry controls in retail distribution					
Belgium					X
Japan					X
Netherlands					X
Spain					X

Note: The table only covers countries with policy recommendations in the area listed.

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Table 1.2. **Progress achieved in countries with policy recommendations to reduce administrative costs, public ownership and reform corporate governance**

"X" denotes action

	Reviews/laws announced	Legislation concluded	Other measures	No significant measures
Reduce administrative burdens				
Czech Republic		X		
Denmark	X			
Turkey			X	
Reform corporate governance				
Italy		X		
Reduce the scope of public ownership				
Finland				X
Norway				X
Poland				X

Note: The table only covers countries with policy recommendations in the area listed.

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(Belgium, the Netherlands and Spain) though some of them had taken steps in that direction in earlier years. Also, no significant progress has been made in relaxing entry in professional services in Luxembourg and Poland nor in network industries in Austria.

- Progress has been uneven in reducing administrative burdens in the three European countries concerned. The Czech Republic has continued cutting red tape and introduced a new insolvency legislation which will strengthen the position of creditors, thereby encouraging entrepreneurship, and some measures to strengthen benchmarking in publicly-funded services have been announced in Denmark, with a view to reduce administrative burdens. However, Turkey has not taken any action in this area, though it has announced other measures to improve competition.
- Little progress has been achieved, or is planned, in reducing the extent of public ownership in the three countries where such action was considered to be among the five policy priorities (Finland, Norway and Poland).

Outside Europe, progress has been mixed in easing competition-restraining regulations in specific industries. In Australia, a reform has been approved to help create a national electricity market, and reform proposals in other network industries are being discussed. Barriers to labour mobility that impede competition in professional services have been reduced in Canada, but no action has been taken to liberalise provincial electricity markets. Similarly, while Korea has relaxed regulations on the creation of new enterprises, no major progress has been recorded to strengthen competition in the energy sector. Only limited advances have been made to reduce entry and operational controls in line with the policy priorities in Mexico, while uncertainty about the future regulatory regime for the electricity sector in New Zealand has been lessened with the announcement of new policies in this area. No further action has been taken in Japan to ease entry in retail distribution; indeed, the new zoning regulations introduced in 2007 for suburban areas (that are intended to re-vitalise urban areas) could discourage entry of larger stores.

Agriculture

Little progress has been made to reduce distortions in agricultural markets and although rising world market prices have limited the incidence of price-based producer support, overall support to farmers is likely to have remained near the high levels of the recent past in many OECD countries (Table 1.3). Significant reforms in this area are generally considered to be integrally linked to a successful conclusion of the multilateral WTO Doha Round, and attempts to make progress in the negotiations have not yet been successful. Meanwhile, bilateral trade agreements concluded over the past year (*e.g.* free trade agreements between Australia and the United States, as well as Korea and the United States – yet to be ratified) have eased import barriers on a few agricultural products. While stimulating bilateral trade flows, the benefits from such regional agreements are less clear cut from a multilateral perspective, as they may lead to trade diversion as opposed to net trade creation. Furthermore, they risk diverting efforts at the WTO to make progress towards a more global agreement.

Table 1.3. **Agriculture: Producer support estimate,[1] 2004-06**

Percentage of gross farm receipts

	2004	2005	2006[2]
Australia	4	4	6
Canada	21	22	23
Iceland	65	67	66
Japan	56	55	53
Korea	63	63	63
Mexico	11	14	17
New Zealand	1	1	1
Norway	67	66	65
Switzerland	68	67	63
Turkey	26	27	20
United States	16	16	11
European Union	**36**	**33**	**32**
OECD	**30**	**29**	**27**

1. The monetary value of transfers from consumers and budgetary payments to producers.
2. Provisional data.

Source: OECD, Producer and Consumer Support Estimates database.

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With respect to domestic agricultural policies, a few new measures are planned in some of the countries where reforms in this area were identified as a policy priority. Specifically, the 2008 US budget submitted to Congress contains a reduction in farm subsidies; the European Commission has proposed to extend the coverage of products where support is decoupled from production; and legislation in Switzerland aims at increasing income support to farmers while keeping overall agricultural support unchanged in nominal terms between 2007 and 2011. Recent policy developments, prompted by climate-change concerns, will go in the direction of increasing world market prices of certain agricultural products: the European Union has adopted a target for the share of biofuel in total vehicle fuel consumption by 2020, and the US administration has proposed to change mandatory standards to significantly increase the use of renewables by 2017.* This will tend to change the composition of assistance in the future from income-related support to support via higher prices.

* Such policies are a very costly way to reduce greenhouse gas emissions, see R. Doornbusch and R. Steenblik, "Biofuels: Is the cure worse than the disease?", OECD Roundtable on Sustainable Development, *www.oecd.org/dataoecd/9/3/39411732.pdf*.

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Human capital

Improving aspects of the educational system was seen to be a priority for more than two-thirds of all OECD countries, focusing on early and compulsory education in English-speaking and lower-income countries, and on higher education in EU countries. In most of the countries concerned, measures broadly in line with the identified priorities have been taken or are planned, especially as regards primary and secondary education (Table 1.4). The measures include:

- Additional educational support for disadvantaged children (Australia, Ireland and Mexico).
- Curricula changes at the primary or secondary level (Iceland and Luxembourg).
- A strengthened role of vocational education in raising skill levels and reducing dropout rates in secondary education (Australia, Slovak Republic and United Kingdom).
- Improved training, accountability and/or remuneration of teachers (New Zealand and Portugal).
- Greater autonomy for universities (Czech Republic, Denmark, France and Spain) and improvements in their governance (Greece).

Table 1.4. **Progress achieved in countries with policy recommendations to improve educational outcomes**

"X" denotes action

	Reviews/laws announced	Public consultation	Legislation concluded	Other measures	No significant measures
Reform primary and secondary education					
Australia				X	
Denmark				X	
Iceland	X				
Ireland				X	
Luxembourg				X	
Mexico			X		
New Zealand		X			
Portugal				X	
Slovak Republic				X	
Turkey					X
United Kingdom	X				
United States					X
Reform tertiary education					
Austria					X
Czech Republic	X				
Denmark				X	
France			X		
Germany				X	
Greece			X		
Hungary			X		
Ireland			X		
Italy					X
Poland					X
Slovak Republic				X	
Spain			X		
Sweden			X		

Note: The table only covers countries with policy recommendations in the area listed.

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- Introduction or extension of tuition fees for tertiary education (Germany, Hungary and Slovak Republic) and reforms of admission rules (Sweden).

Other policy priorities to boost productivity

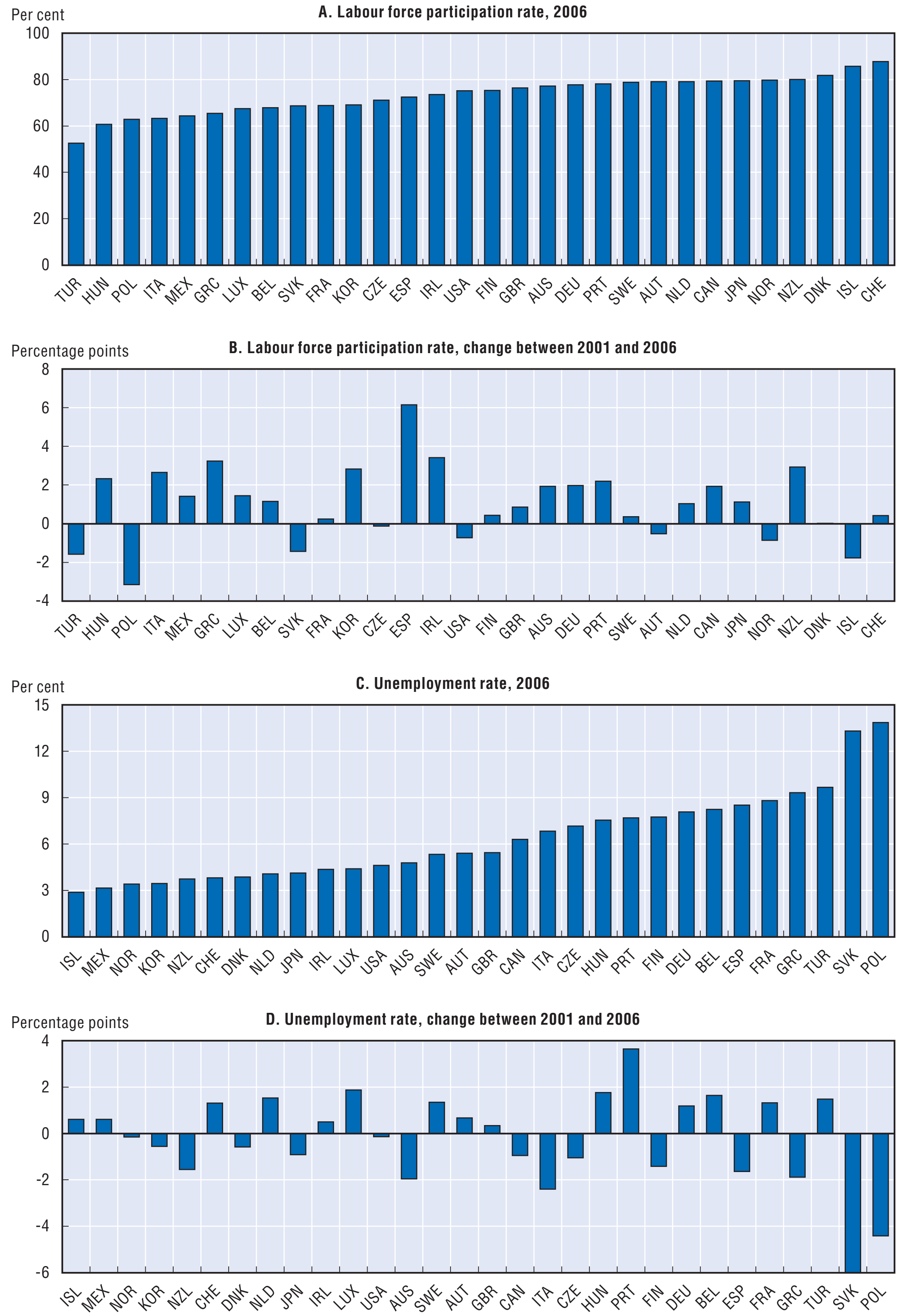
Progress on reform priorities has also been recorded in other policy areas that were identified as important to strengthen productivity performance:

- *Innovation-specific policies*. Countries with a policy priority identified in this area have taken measures, involving better cooperation between universities, industries and public research institutes (Japan and Korea), and an increase in government funding allocated to innovation (Ireland).
- *Public infrastructure*. Countries where improving infrastructure was a priority have all taken some corresponding measures (Ireland, New Zealand, Poland and, to a lesser extent, the United Kingdom).
- *Public sector efficiency*. Four of the six countries with a priority in this area have taken some actions to strengthen public sector efficiency (Czech Republic, Hungary, Portugal and the United Kingdom), whereas no significant measures were announced or taken in Iceland or New Zealand.
- *Rule of law*. Measures to strengthen law enforcement are being introduced in Hungary and the Slovak Republic. The only other country with a priority in this area, Mexico, has taken little action other than addressing security problems.
- *External exposure*. In line with the identified policy priority, Switzerland has proposed draft legislation to make regulation more consistent with EU standards. Among the five countries where the lowering of foreign-ownership restrictions and other measures discouraging FDI inflows were considered to be a priority, Japan has introduced legislation aimed at reducing hindrances to foreign ownership of domestic companies, Korea has created three special economic zones exempted from some restrictive regulations, and Canada has established a panel to examine FDI restrictions; no action has taken place in Iceland and Mexico.
- *Tax structure*. A number of measures have reduced taxes levied on businesses in Canada and a tax reform has been approved in Mexico that goes some way to broadening the tax base and strengthening tax revenue. Little action has been taken in the other two countries where reform of the tax system was seen to be a priority (Portugal, United States).

Progress in reforming policies to increase labour utilisation

Measures to improve labour utilisation were identified as a priority in virtually all OECD countries. However, the priorities in this area tended to be concentrated on continental European countries, because of the relatively low labour utilisation in most of them (Figure 1.3). In many of these countries, labour force participation rates, especially among older workers, and in some cases for women, are comparatively low; unemployment rates are high and annual hours worked are short, notwithstanding improvements in performance in recent years. Outside Europe, the priorities aimed at addressing specific performance weaknesses, even if overall labour utilisation was relatively high, and at arresting trends that would become a serious drag on performance if they were to continue. The policy areas in this domain included disincentives to work at older ages, impediments to female participation, disability and sickness benefit systems, the taxation of labour income, and other labour market policies.

Figure 1.3. **Labour force participation rates and unemployment rates**



Source: *OECD Economic Outlook*, No. 82.

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Financial disincentives to work at older ages

Limited progress was achieved over the review period in lowering disincentives to work at older ages embedded in public pension and other social security systems in the ten European countries for which this was regarded as a priority (Table 1.5). No measures were recorded in five of these countries (Finland, Greece, Luxembourg, Slovak Republic and Turkey) but some of them had previously introduced reforms that moved partly towards eliminating the financial penalty to work for those above the age of 55 and/or 60. In Belgium, measures in line with the 2005 Solidarity Pact Between Generations were legislated, and, in Norway, a white paper on pension reforms was published. In Austria, negotiations to harmonise public sector pension schemes with the regular pension arrangements are underway, but at the same time the government has reversed some measures of the 2003-04 pension reforms which had reduced incentives to retire early. In Spain, the reform that entered into force restricts partial retirement and provides

Table 1.5. **Progress achieved in countries with recommendations to reduce the disincentives to work for specific groups and to reform the disability and sickness systems**

"X" denotes action

	Reviews/laws announced	Public consultation	Legislation concluded	Other measures	No significant measures
Reduce implicit tax on continuing to work and work at older age					
Austria		X			
Belgium			X		
Finland					X
France	X		X		
Greece					X
Luxembourg					X
Norway		X			
Slovak Republic					X
Spain			X		
Turkey					X
Reform disability and sickness benefits					
Australia					X
Denmark					X
Hungary			X		
Netherlands					X
Norway	X			X	
Sweden	X				
United Kingdom			X		
United States					X
Reduce implicit tax on returning to work following childbirth					
Germany				X	
Ireland			X		
Korea			X		
Netherlands			X		
New Zealand				X	
Switzerland			X		
United Kingdom			X		

Note: The table only covers countries with policy recommendations in the area listed.

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incentives to extend work beyond the current statutory entitlement age for a pension. The implementation of changes to especially generous retirement arrangements for some public-sector workers is currently being negotiated in France, where the penalty for dismissing workers over the age of 50 is also being phased out.

Disability and sickness benefit systems

The reform of disability and sickness systems was identified as a priority for eight countries, four of which have introduced new corrective measures. The United Kingdom and Sweden have reinforced the financial incentives for disabled persons with sufficient work capacity to return to work. In Hungary, the receipt of benefits by new claimants who have remaining working capacity has been made conditional on participation in rehabilitation programmes. In Norway, several reports were published offering guidelines to increase rehabilitation of the disabled and reduce sick leave absence. No significant new measures in this area have taken place, or are foreseeable, in Australia, Denmark and the United States. In the Netherlands, the age limit for exemption from work capacity reassessment stipulated in the 2006 reform has been lowered from 50 to 45, thus weakening the scope for monitoring disability status and identifying remedial action.

Reducing impediments to full-time female labour force participation

All seven countries with a priority to reduce impediments to full-time labour force participation of women have taken some corrective measures. New transfers and/or tax incentives in Ireland, Korea, the Netherlands and Switzerland are meant to encourage women outside the labour force to return to work. However, with the exception of the Netherlands, childcare support is not explicitly conditional on employment, though the United Kingdom is exploring such conditionality via a public consultation. In addition, in Switzerland, reform of the personal income tax will reduce the large difference in marginal tax rates between second and main earners of married couples from 2008 onwards, and the starting age for compulsory free schooling has been lowered to four years of age. Germany has decided to expand childcare facilities and New Zealand is expanding childcare access.

Reforms of labour taxation

Reforms of labour taxation in line with the 2007 policy priorities have taken place, or are planned, in nine of the 12 countries concerned (Table 1.6). The multi-year tax reform reducing the tax wedge on low-income workers has been fully implemented in Belgium. Budget measures in Australia and Italy will reduce effective marginal tax rates for lower and middle-income families and workers, respectively. In Germany, a significant proportion of revenues from the 2007 VAT increase has been used to lower social contributions, but overall tax wedges on labour income (*i.e.* including indirect taxes) remain broadly unchanged. In Denmark, income tax cuts will be introduced, financed by higher energy taxes, although marginal tax rates will remain unchanged for those in the top tax bracket; in-work benefits have been raised in Sweden; and a wide-ranging package of fiscal reforms in the Czech Republic includes the introduction of a "flat tax" on personal income. Two countries (Austria and Finland) have deferred plans to lower taxes until around 2010 with the expectation that economic conditions will by then be more favourable to such measures being taken. No measures have been taken to reform labour taxation in Hungary, Poland, and the Slovak Republic.

Table 1.6. **Progress achieved in countries with recommendations to reduce labour taxation and reform labour market institutions**

"X" denotes action

	Reviews/laws announced	Public consultation	Legislation concluded	Other measures	No significant measures
Lower labour taxes					
Australia			X		
Austria	X				
Belgium			X		
Czech Republic				X	
Denmark				X	
Finland	X				
Germany			X		
Hungary					X
Italy			X		
Poland					X
Slovak Republic					X
Sweden				X	
Review wage formation or minimum cost of labour					
Australia					X
Belgium					X
Finland					X
France					X
Greece					X
Italy					X
Spain					X
Turkey				X	
Reform employment protection legislation					
Czech Republic					X
France		X			
Greece					X
Japan				X	
Luxembourg					X
Portugal					X
Spain					X
Sweden				X	
Turkey	X				
Reform unemployment benefits					
Belgium				X	
Canada			X		
Finland	X				
Germany					X
Luxembourg					X

Note: The table only covers countries with policy recommendations in the area listed.

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Labour market policies

Priorities to reform labour market policies were identified for more than two-thirds of the OECD countries. Overall, only modest progress has been achieved in the three areas covered by this broad domain:

- *Wage formation*. Reforms related to wage formation, either to reduce labour costs at the minimum level or to make wage formation more flexible through a less centralised bargaining process, were called for in eight countries (Australia, Belgium, Finland, France, Greece, Italy, Spain and Turkey). No significant progress has been made in any of them and earlier reforms have been partially reversed (Australia), indicating the difficulty of implementing reforms in this area.

- *Employment protection*. Limited action was recorded in four of the nine countries with an identified priority policy in this area. Japan has taken some steps to reduce dualism in its labour market; Sweden has extended the maximum duration of temporary contracts; France has launched a consultation to reform employment protection, with an agreement, in January 2008, intended to reduce the effect of court rulings (and the associated uncertainty that comes with them) in the firing process, while at the same time introducing a new type of temporary employment contract and increasing severance payments; Turkey announced a plan to increase flexibility in the labour market by facilitating the use of temporary employment contracts. Subsequent to the 2006 reforms in Spain, no further measures have been taken there. Also, no significant action has been recorded in the Czech Republic, Greece, Luxembourg and Portugal.
- *Unemployment benefits*. Finland has launched a comprehensive review of social security and proposals will be presented to Parliament in 2008. Canada introduced a working income tax benefit in 2007 to improve work incentives for low-income earners; and the closer integration of regional placement agencies in Belgium should strengthen job search requirements for the unemployed. No reforms have taken place, or are planned, in Germany and Luxembourg where priorities were also identified in this area.

Other priorities and reforms

The remaining priorities identified in the 2007 edition of *Going for Growth* refer to health care and housing. The two countries concerned by priorities to reduce health care costs, Switzerland and the United States, have submitted proposals in this direction to their legislatures. Reforming housing policies was considered to be a priority for Denmark, Iceland, the Netherlands, the Slovak Republic and Sweden, but only Sweden has made some, albeit limited, progress in the area of rental housing.

Summary

Overall, some action has been taken in almost two-thirds of the policy priorities identified (Table 1.7). In around one-third of these cases the reform process is at an early stage, *i.e.* that of public consultations or announcement of intentions to review legislation in particular areas. In the other cases, the process is either completed, with legislation ratified, or at an advanced stage, for instance with legislation being debated in parliaments. Measures going against recommendations, or viewed as a step in the wrong direction in an area of priority, have been taken in four countries. Actions taken to address the challenges have generally been more frequent in the area of product market regulation, education and labour taxation than in labour market policies (narrowly defined). Countries that have been most active at reforms in the past year or so are quite dispersed in terms of geography and income levels. On the other hand, countries with overall little action comprise either lower-income countries, where reform is most needed, or higher-income countries, where reform may be seen as less pressing.

Table 1.7. **Summary of progress on recommendations**

Areas	Ratio of action taken (%)
Product market regulation	59
Education	80
Overall labour	55
Labour taxation	72
Labour policies	39
Total	**61**

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