



ECONOMIC POLICY REFORMS

Going for Growth

**Press Conference
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**Jean-Philippe Cotis
Chief Economist**

FOREWORD

This new OECD publication, *Economic Policy Reforms: Going for Growth*, is designed to help policy makers as they look for ways to achieve improved standards of living for citizens. It also aims to bring the debate on the important issues of economic reforms and their consequences to a wider public. Drawing on in-depth knowledge of economic circumstances and policy objectives in individual countries, it develops a benchmarking system based on a set of policy indicators. It then proposes a number of policy priorities for each country that would help promote stronger economic growth.

Although more than 50 000 delegates register for OECD meetings each year, many of these delegates and others primarily see the Organisation's work through the prism of their own area of interest – as I know from my own personal experience as a Ministerial delegate and from the testimony of others. As such, in presenting this publication, I am aware that its scope may surprise many readers, by showing that the OECD has a wealth of experience to draw on, and conducts structural policy analysis and surveillance in its member countries in almost every area of public policy.

To do this, the OECD uses a process based on mutual accountability and peer pressure. In addition to monitoring the performance of individual countries, structural surveillance at the OECD also includes cross-country monitoring focusing on a broad range of specific fields, including work and family life, ageing and employment policies, national education systems, and regulatory reform. Naturally enough, recommendations in these various fields often reflect objectives that go beyond growth or income maximisation and relate to wider dimensions of welfare. Policy recommendations in the field of labour and social affairs, for example, need to find a balance between equity and efficiency in their policy recommendations. The surveillance processes for education tend to stress the importance of equitable access to education in addition to the goal of increasing human capital.

Different areas of government may give differing weights to the respective importance of wealth and income maximisation on the one hand and broader equity issues on the other. How these differences are resolved affects, of course, the thrust of policy priorities. In *Economic Policy Reforms*, the main objective targeted is stronger economic growth. Its underlying premise is that growth is essential to create the additional resources needed to address a number of broader social and equity concerns, and therefore is key to the search for improving standards of living for all citizens.

As policy makers and others grapple with the challenges posed by the increasing interdependence of our economies, growth has to be at the top of our agenda. I wish to acknowledge the OECD-wide contribution that has enabled this project to benefit from inputs from many parts of the Organisation, and to thank the team led by Jean-Philippe Cotis, OECD's Chief Economist, for suggesting the idea and bringing it to fruition.

A handwritten signature in black ink, written in a cursive style, that reads "Don Johnston". The signature is slanted upwards from left to right.

Donald J. Johnston
OECD Secretary General

PREFACE

Growth is back at the centre-stage of public attention throughout the OECD. This renewed focus is not accidental. Disappointment with long-term economic performance has been increasingly noticeable in many OECD countries. At the same time, it is widely felt that regaining growth momentum is key to preserving standards of living at a time of rapidly ageing societies.

Achieving stronger growth presents national policy makers with serious challenges. Learning from past mistakes and strengthening even successful policies will be important. But learning by doing, in isolation, may not be enough. Learning from others may be equally or even more important to raising national performance.

In large part, this is why the OECD was created, at a time of widespread confidence in the capacity of less advanced member countries to achieve full economic convergence with the best performers. Learning from others has often been impeded however by the sense that one's own circumstances are too singular to allow for meaningful transposition from abroad. Indeed, many signs are suggesting that economic convergence among industrialised countries has stalled or even backtracked since the 1980s, indicating that adaptation of OECD surveillance may be needed.

Surveillance processes at the OECD already include country-specific and sector-specific surveys that cover all member countries. What they do not yet include, however, is cross-country surveillance of growth, based on systematic benchmarking and with a view to advising member countries on national priorities. In the context of stalling convergence, benchmarking may help expose more clearly the areas where countries are lagging.

Successful benchmarking may also be easier to accomplish at a time when substantial progress has been made in cross-country data availability and econometric analysis. Methodological progress has made it possible to go beyond what may be described as "superficial benchmarking", where one makes international comparisons of GDP per capita, labour productivity or employment rates without knowing what lies behind apparent differences in performance. For example, a relatively low level of GDP per capita may have strikingly different welfare implications depending on whether it reflects the prevalence of public policies inhibiting economic initiative or a genuinely stronger preference for leisure. In the latter case, higher GDP per capita does not translate into higher quality of life, which is nonetheless the ultimate objective of national policies.

Our new publication, *Economic Policy Reforms*, is an attempt at "deep benchmarking" involving carefully constructed structural policy indicators with a proven, econometric link to economic performance. This should help assess the extent to which divergence in performance reflects differences in the effectiveness of public policies, rather than differences in tastes and societal choices.

The main aim of this new publication is therefore to facilitate the transfer of successful national experiences while avoiding the pitfalls of “one-size-fits-all” policy prescriptions that would impinge on legitimate international diversity.

To illustrate the usefulness of “deep benchmarking”, it is instructive to consider the extreme variability of employment rates of persons aged 55 or over across OECD member countries. Analysis suggests that this diversity was mainly caused by disincentives embedded in public policies rather than different attitudes towards retirement age. For those countries which currently suffer from low rates of employment of ageing workers, there may thus be hope that better policies can tap an important source of growth. This example also highlights that growth surveillance may serve to increase not only standards of living, but welfare in a wider sense by promoting fuller participation in economic and social life.

Because this publication addresses complex issues, considerable efforts have been made to ensure it is transparent and self-contained. All the indicators are documented with graphs and their construction made as clear as possible to the reader. A special thematic chapter is devoted to our indicators of product market regulation. The link between some key policy indicators and performance are explored in two thematic chapters dealing with the impact of public policies on the supply of labour from ageing workers and women. This analytical material is intended to provide clear justifications for our assessment of OECD-wide progress achieved in the field of growth-oriented structural reforms. It is also central to understanding the motivation behind the selection of five policy priorities for each member country.

When dealing with national priorities, it is important to also leave room for individual considerations. However well designed, a set of comparable indicators will never fully capture national circumstances. Here the expertise of our country specialists has been used to tailor two policy priorities for each country that may or may not be reflected in the standardised indicators.

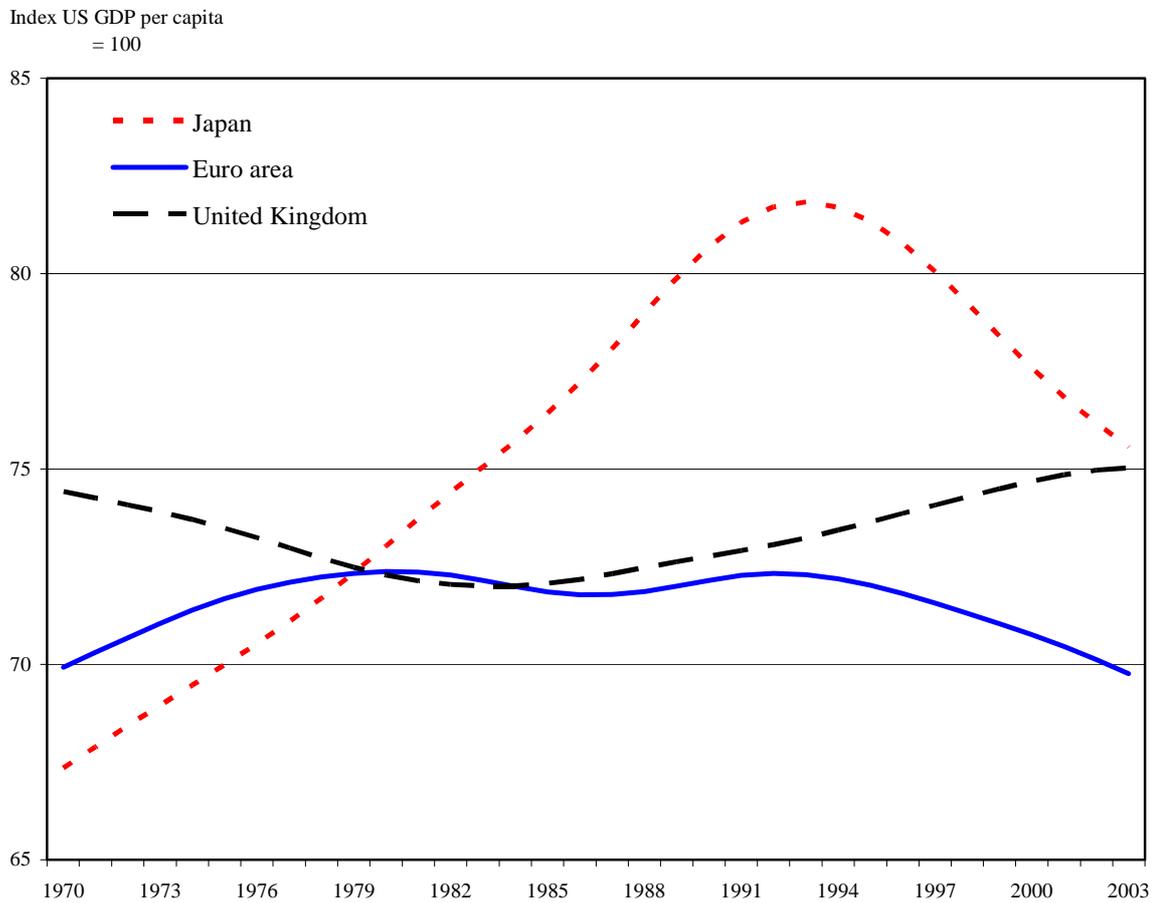
For all its many contributors, representing various OECD Directorates, there is a clear recognition that the launch of *Economic Policy Reforms* is only the starting point of a long process leading to further learning along the way. Wider coverage of potential sources of growth, such as financial markets and innovation policies, will be sought in the future, as will methodological and presentational improvements. We also hope that interested readers will help us, through their constructive remarks and critiques, to make this publication increasingly useful, relevant, and, hopefully, interesting.



Jean-Philippe Cotis
OECD Chief Economist

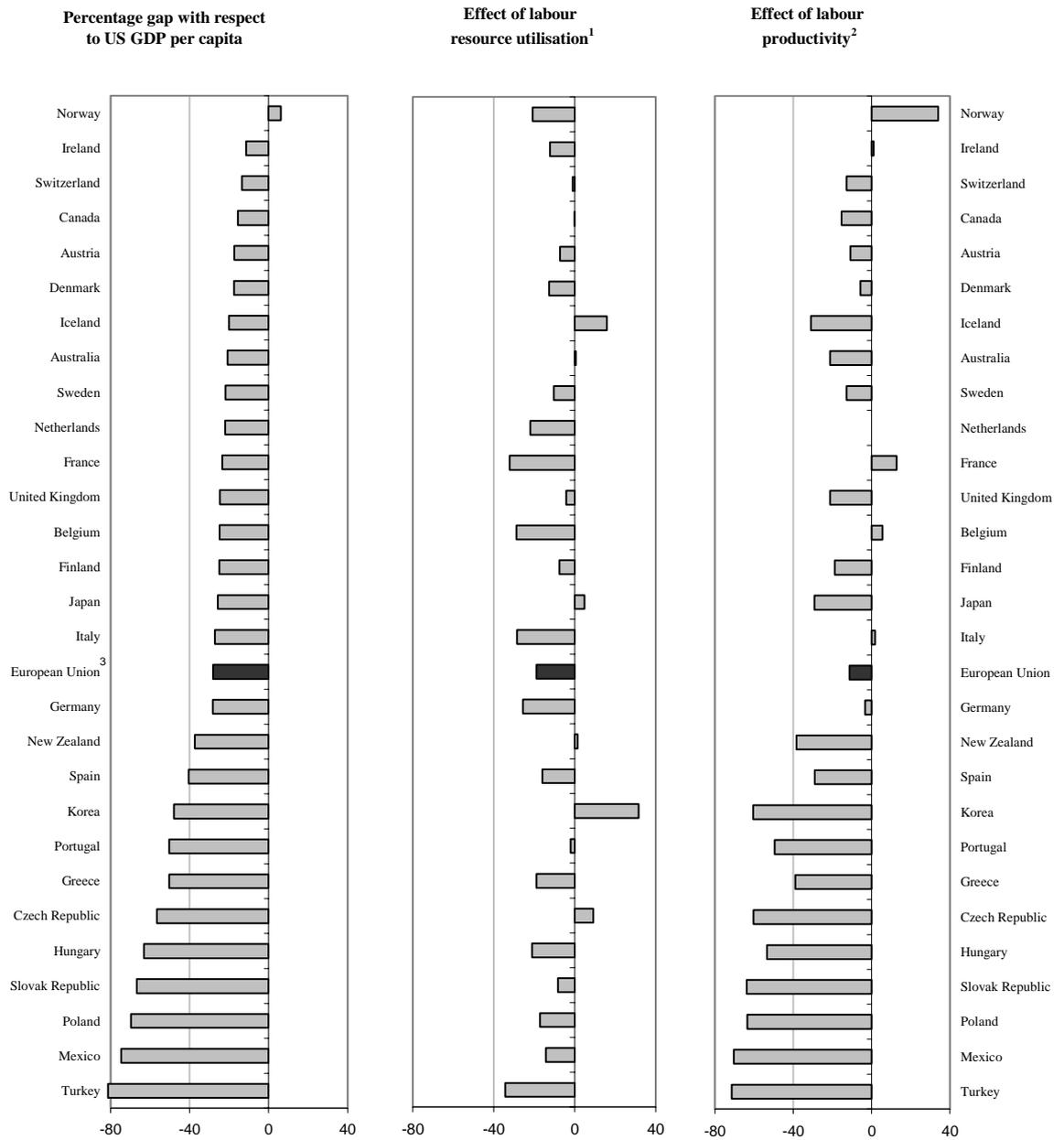
Real per capita GDP has dropped relative to the United States

Trend indices, based on 2000 PPPs and 2000 prices ¹



1. The trend is calculated using a Hodrick-Prescott filter (smoothing parameter set to 100) over a period which includes projections through 2010.
 2. Euro-3 refers to Germany, France and Italy.
- Source: OECD *Annual National Accounts*.

The sources of real income differences, 2002



1. Labour resource utilisation is measured as total number of hours worked divided by population.

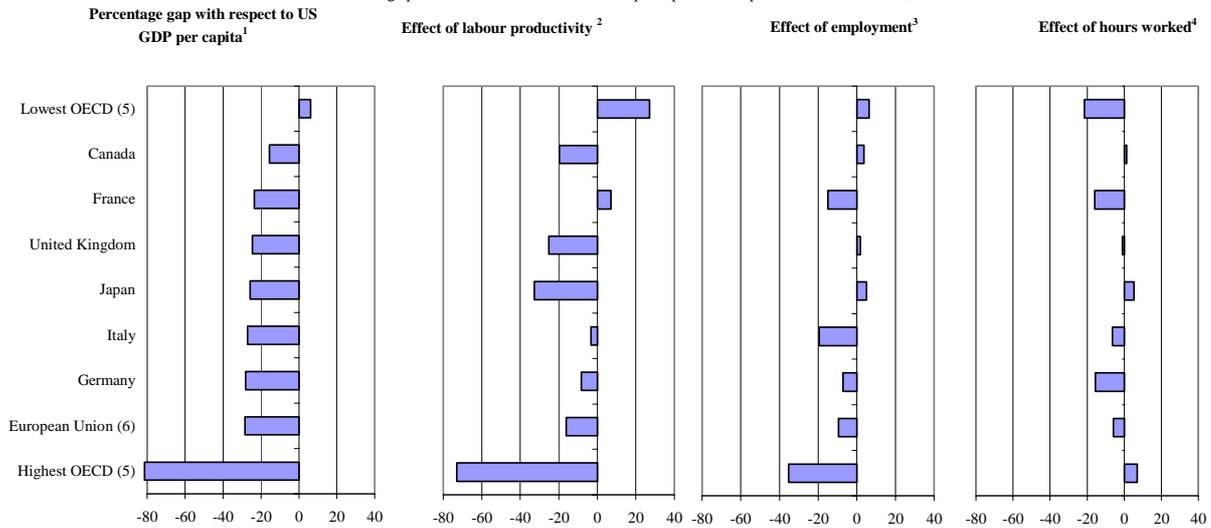
2. Labour productivity is measured as GDP per hour worked.

3. Excluding Luxembourg.

Source: OECD National Accounts of OECD Countries, 2004; OECD Labour Force Statistics, 2004 and OECD Economic Outlook, No. 76.

The sources of real income differences, 2002

Percentage point difference in PPP-based GDP per capita with respect to the United States, 2002

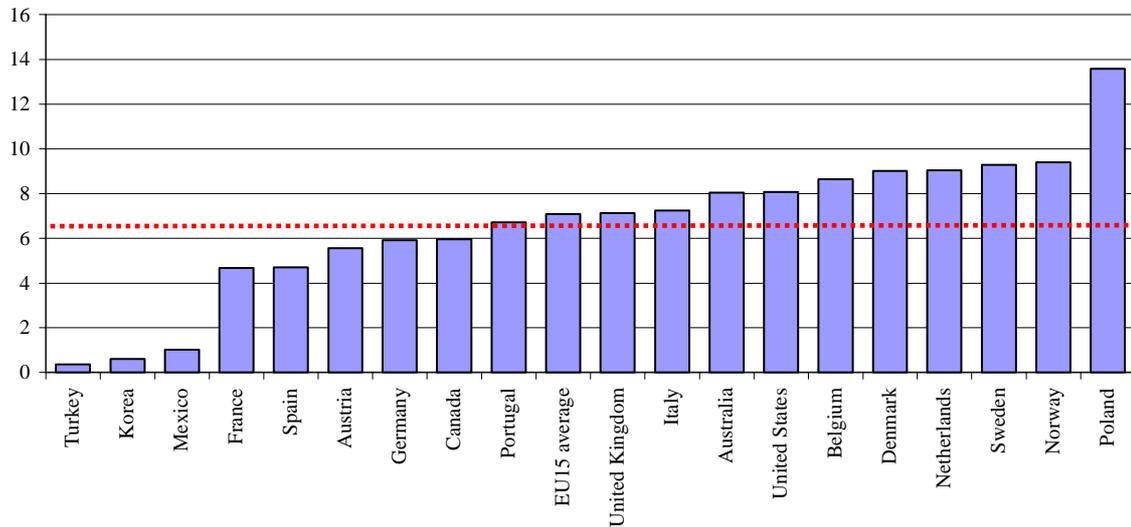


1. Based on the identity decomposing real GDP per capita into labour input variables and labour productivity. The labour input variables are the employment rate and the average number of hours worked by persons in employment.
 2. GDP per hour worked.
 3. Total employment as a percentage of total population.
 4. Average hours worked by persons in employment.
 5. Highest OECD refers to Turkey, lowest to Norway, ranked by total percentage gap with respect to US GDP per capita.
 6. European Union excluding the central and eastern European accession countries, Austria and Luxembourg.
- Source : OECD.

In some countries the proportion of the working age population receiving a disability allowance is high

Income support for disability

Per cent of working age population non-employed and receiving disability benefits, 1999¹



Note: The dotted line represents the simple average for OECD countries, where data available.

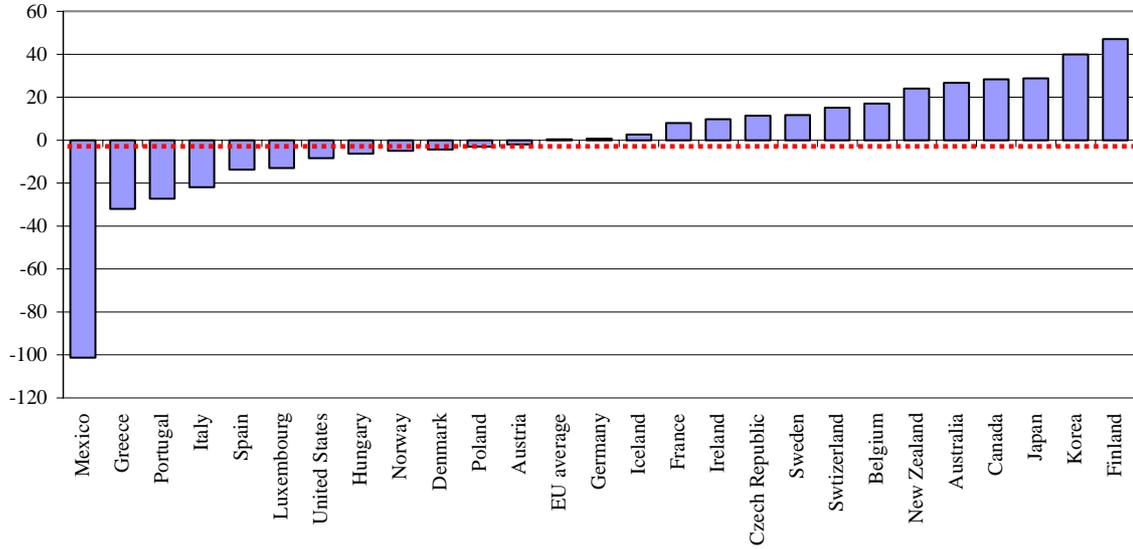
1. 1995 for Austria, Mexico and Poland.

2. The EU15 average excludes Finland, Greece, Ireland and Luxembourg.

Source : OECD *Transforming Disability into Ability*, 2003 and National Compensation Survey (for the United States).

Educational achievement

Average of PISA scores in reading, mathematics and science, 2003¹



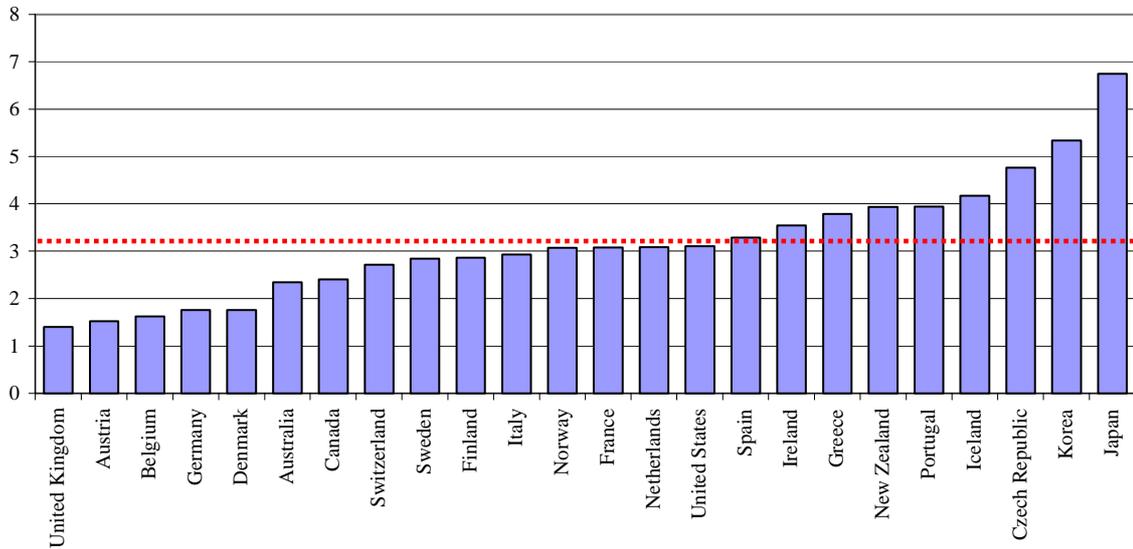
Note: The dotted line represents the simple average for the OECD countries shown.

1. PISA stands for Programme for International Student Assessment.

Source : OECD *Learning for Tomorrow's World*, PISA 2003.

Public investment is relatively low in the UK

Average 1997-2003, percentage of GDP



Note: The dotted line represents the simple average for the OECD countries shown.

Source : OECD *Economic Outlook* No. 76.

EUROPEAN UNION

A slowdown in labour productivity growth since the mid-1990s combined with weak growth in labour resource utilisation has resulted in a widening of the per capita income gap vis-à-vis the United States.

Priorities supported by indicators

Ease regulatory burden on business operations

The single-market strategy has only partly fulfilled its objective of fostering economic integration. Substantial barriers remain in service sectors, including impediments to cross-border establishment and the recognition of diplomas, and the lack of mutual recognition for business licenses.

Actions taken: An EU-wide system of protecting intellectual property rights has been adopted. A directive on services in the internal market to underpin the mutual recognition principle has been proposed.

Recommendations: Further reduce internal obstacles that hamper cross-border trade and market entry. Where mutual recognition proves problematic, adopt EU-wide standards. Liberalise fully the postal and railway sectors. Improve the EU-wide public procurement regime.

Raise competition in network industries

Despite the advanced liberalisation of network industries, competition is still undermined by dominant incumbent in some sectors. Price declines have become smaller, while new entrants no longer seem to gain market share from incumbents in some markets.

Actions taken: The Community framework for competition policy has been reformed, with the investigative powers of the Commission being strengthened and the role of national authorities in the enforcement process increased.

Recommendations: Focus competition policy on reaping the potential gains from liberalising network industries.

Reduce producer support to agriculture

Agricultural support under the Common Agriculture Policy (CAP) is distorting, keeping excess resources in low-productivity activities. The recent accession of 10 new member countries will put the CAP under strain.

Actions taken: Following the 2003 reform of the CAP, the composition of support will change substantially, but not the overall level. Support will be further de-coupled from production and made conditional on compliance with, *inter alia*, environmental and food safety standards. Even so, market price support will remain high.

Recommendations: Improve market access for non-EU countries. Move further away from production towards income support, and ensure that the recent agreement on a framework for continuing the Doha trade round – including notably the commitment to eliminate export subsidies – results in reforms.

Other key priorities

- Improve intra-European labour mobility by enhancing the portability of accrued pension rights and pension capital in occupational schemes as well as of other benefit entitlements.
- Fully implement the Financial Services Action Plan in order to foster economic integration. Ensure legal certainty for third-country securities issuers. Resist attempts to favour national champions.

EUROPEAN UNION

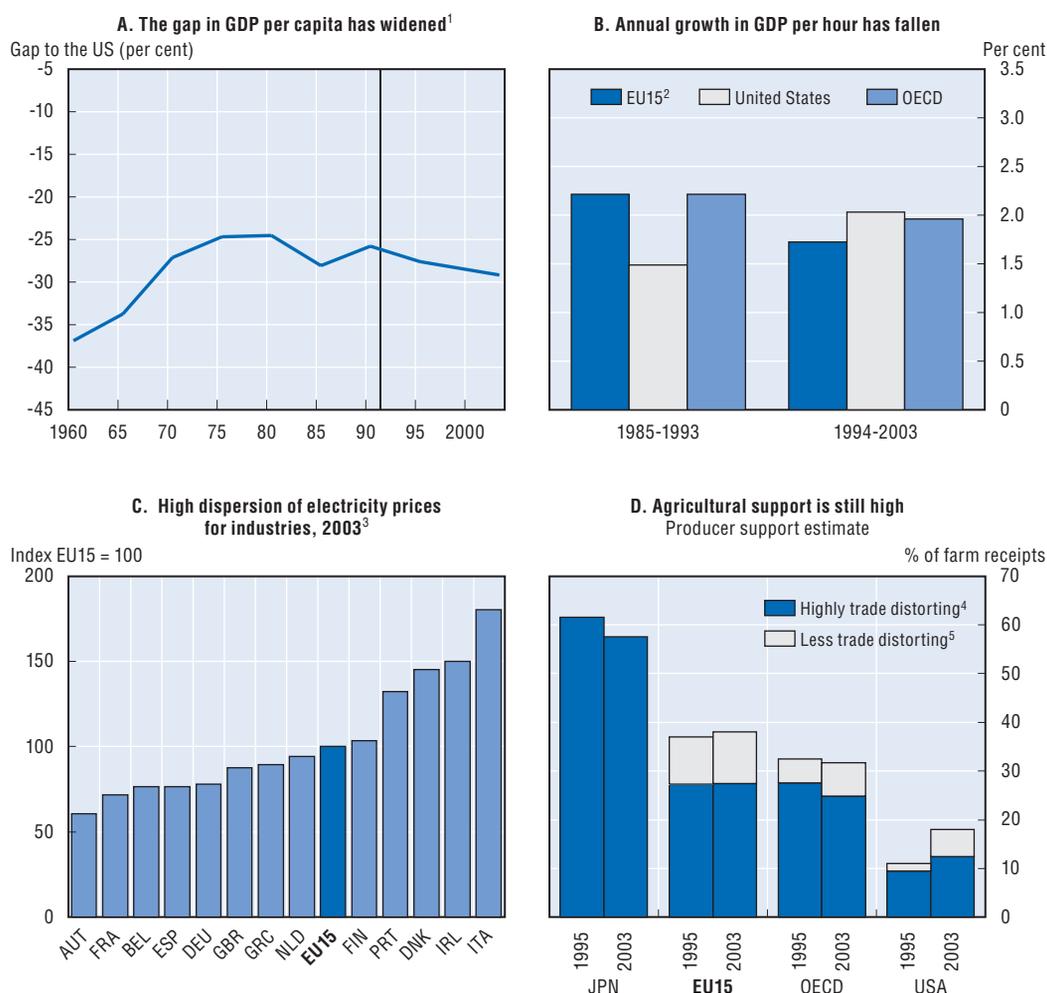
Structural indicators

	1990 ¹	1995	2000	2003
Trend GDP per capita (% growth rate)	1.8	1.6	1.8	1.7
Trend employment rate	63.0	63.6	65.3	66.4
Trend participation rate	68.5	69.2	70.8	71.8
Structural unemployment rate (NAIRU)	8.2	8.3	7.9	7.7

Note: The 15 European Union countries prior to the 2004 enlargement, excluding Luxembourg.

1. To avoid break in the series due to the reunification in Germany, 1992 is used instead of 1990.

Source: Estimates based on OECD Economic Outlook, No. 76.



1. Percentage gap with respect to US GDP per capita (in constant 2000 PPPs). Break in series in 1991 due to reunification of Germany.

2. Excluding Austria and Luxembourg.

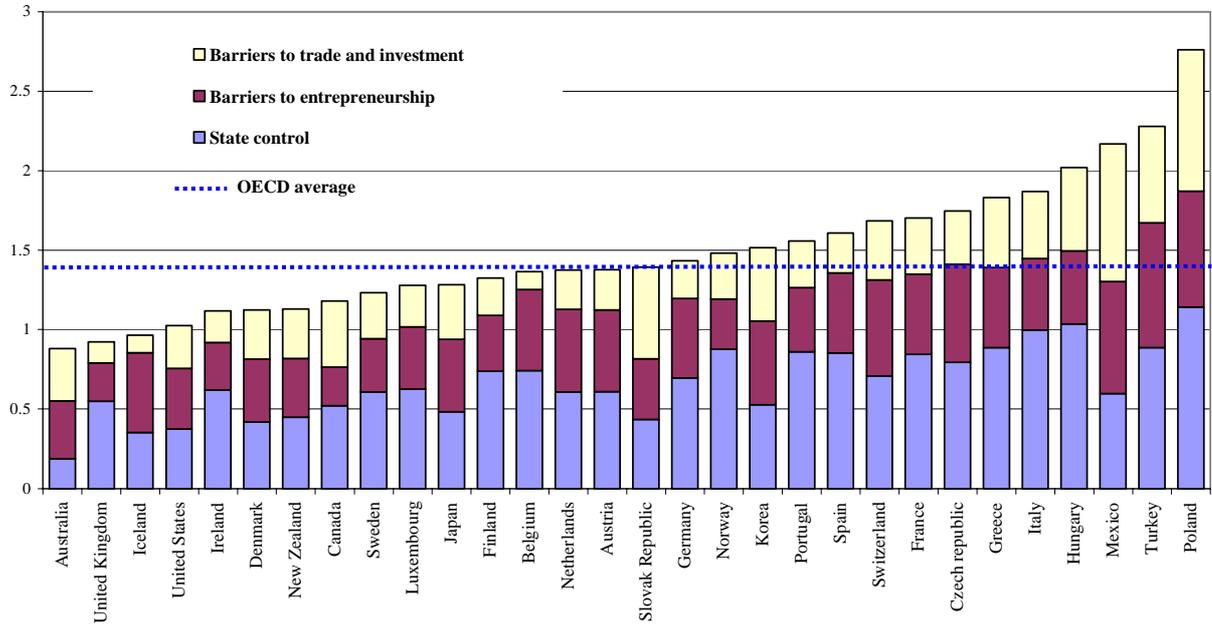
3. 2000 for Austria and Belgium, 2001 for Italy and the Netherlands, 2002 for Germany and Spain. EU15, excluding Luxembourg and Sweden.

4. Market price support and payments based on output and input use.

5. Payments based on area planted/animal numbers, historical entitlements and overall farm income.

Source: Charts A and B: National Accounts of OECD Countries, 2004; OECD Labour Force Statistics, 2004; OECD Economic Outlook, No. 76; Chart C: OECD Energy Prices and Taxes, 2004; Chart D: OECD, Producer and consumer support estimates database.

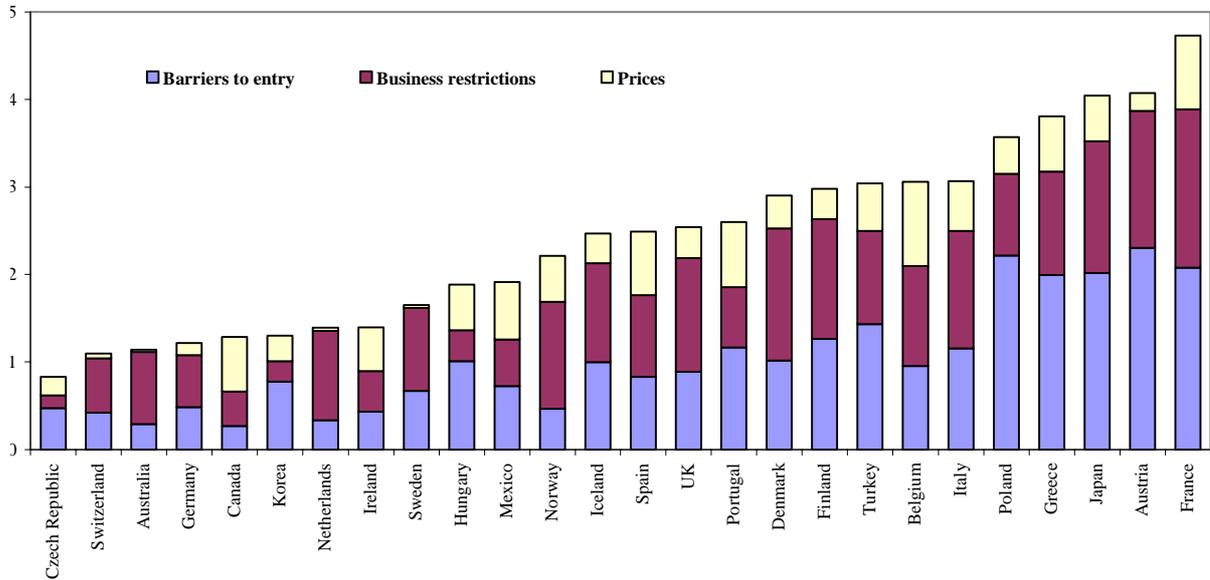
Product market regulation



Note: 2003 values. The scale of indicators is 0-6 from least to most restrictive.

Product market regulation in the retail distribution sector

1998

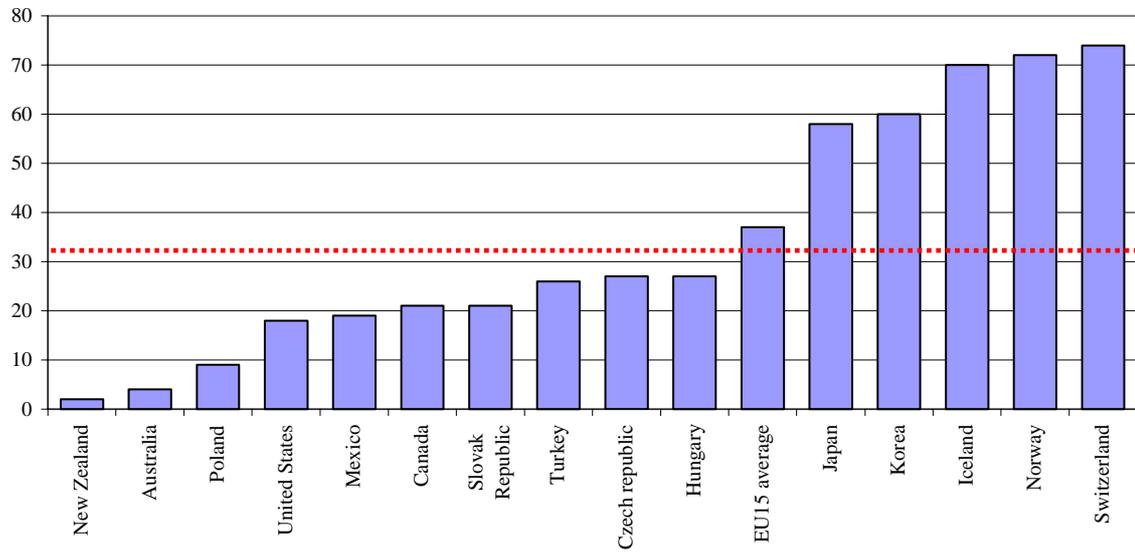


1. The scale of indicators is 0-6 from least to most restrictive.

Source: Boylaud (2000).

Producer support estimate to agriculture¹

Percentage of total value of agricultural production, 2003



Note: The dotted line represents the simple average for the OECD.

1. A single producer support estimate is calculated for EU countries.

Source: OECD Producer and consumer support estimates database.

UNITED KINGDOM

Economic growth has been resilient in the last downturn and structural unemployment has fallen to low levels. But the productivity gap with the leading OECD economies remains large.

Priorities supported by indicators

Reform disability benefit schemes

The proportion of the population claiming disability-related benefits is high relative to other countries, probably reflecting tightening eligibility criteria in the rest of the income support system.

Actions taken: A new approach for disabled people is being piloted with mandatory work-focused interviews for new claimants and a “Return to Work” credit paid for the first year for those taking up work.

Recommendations: If the pilot scheme is successful, roll it out nationally. Make it compulsory for those with less severe medical conditions, and consider applying it to the existing stock of claimants, not just new claimants.

Improve access of young people to vocational training at upper-secondary level

While the literacy of British 15 year-olds is above OECD average, many leave school before completion of upper-secondary education and without the vocational qualifications needed in a modern work place.

Actions taken: The Modern Apprenticeships programme has been expanded to include one in four at age 22 this year, and two-year foundation degrees will be introduced in higher education. For adults without the most basic literacy skills, workplace training has been expanded into the National Employer Training programme.

Recommendations: Extend eligibility of young people to these schemes. Expand adult training, but keep public costs under control by cost-sharing arrangements and by focussing content on what is relevant to work.

Improve public infrastructure, especially for transport

For decades under-investment in public infrastructure was an easy option for constraining public expenditure, but this has resulted in congestion on the roads and an unreliable rail system.

Actions taken: The government’s fiscal rules distinguish between capital and current expenditure and help to avoid short-term expediency. The share of government investment in GDP has risen recently, and is planned to rise further. The organisation of the railways has been streamlined, with greater responsibility for government.

Recommendations: Even after planned increases, government investment will be low relative to other OECD countries and may be inadequate to correct years of neglect. Further increases may be necessary. Following the success of the London congestion charge, more widespread use of road charging should also be considered.

Other key priorities

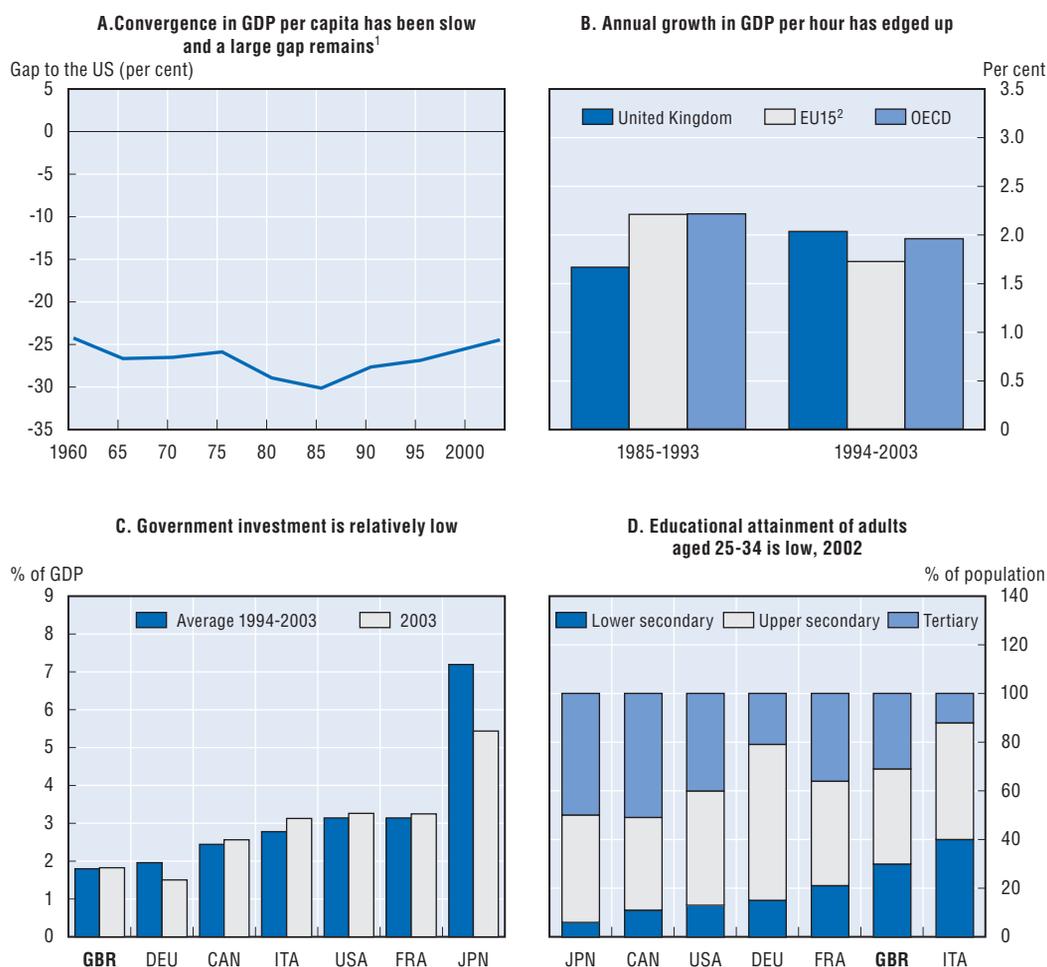
- Enhance incentives to pursue performance targets in publicly-funded services. Reduce waiting times by expanding activity-based funding for hospitals, and by introducing incentive pay for hospital doctors (i.e. paying them through a combination of salaries and fees).
- Re-examine planning restrictions, which inhibit competition in key services and limit the supply of new housing. Give greater weight to economic considerations, and involve fewer layers of decision-making in the process.

UNITED KINGDOM

Structural indicators

	1990	1995	2000	2003
Trend GDP per capita (% growth rate)	2.2	2.2	2.4	2.3
Trend employment rate	69.4	70.4	71.8	72.1
Trend participation rate	75.4	75.9	76.1	76.2
Structural unemployment rate (NAIRU)	8.0	7.2	5.6	5.4

Source: Estimates based on OECD Economic Outlook, No. 76.



1. Percentage gap with respect to US GDP per capita (in constant 2000 PPPs).

2. Excluding Austria and Luxembourg.

Source: Charts A and B: *National Accounts of OECD countries, 2004*; *OECD Labour Force Statistics, 2004*; *OECD Economic Outlook, No. 76*; Chart C: *OECD Economic Outlook, No. 76*; Chart D: *OECD Education at a Glance, 2004*.

Table 1.1. **Structural policies and performance: proposed priorities**

		Performance areas	
		Labour utilisation	Labour productivity
Australia	<p>Refocus disability benefit schemes to encourage work by those with substantial work capacity.</p> <p>Increase the weight of employability in the setting of minimum wages (“award wages”).</p> <p>Strengthen employment prospects for lower-skilled workers by improving vocational education.</p> <p><i>Reduce tax wedge on low-income workers to improve work incentives for this group.</i></p>	<p><i>Accelerate reforms aimed at lowering barriers to entry in network industries.</i></p>	
Austria	<p>Reduce implicit tax on continued work to cut disincentives to work at older ages.</p> <p><i>Reform child support benefit system to weaken inactivity traps.</i></p>	<p>Raise overall human capital by improving graduation rates from tertiary education.</p> <p>Reduce administrative costs for start-ups and ease entry regulations in professional services.</p> <p><i>Strengthen competition law and enforcement by giving more powers to the competition authority.</i></p>	
Belgium	<p>Strengthen work incentives by reducing the tax wedge on labour income.</p> <p>Reduce disincentives to work at older ages by limiting early retirement through unemployment.</p> <p><i>Reduce the incidence of long-term unemployment by strengthening job-search requirements and improving skills of the unemployed.</i></p>	<p>Ease sectoral regulations and subject all new regulations to an efficiency test.</p> <p><i>Improve educational outcomes for students from ethnic backgrounds.</i></p>	
Canada	<p>Strengthen incentives to move from welfare to work via stricter job search and activation requirements.</p> <p><i>Restrain growth in public health care costs to limit increases in taxation and labour costs.</i></p>	<p>Switch from foreign ownership barriers to other means to pursue cultural goals, etc.</p> <p>Further liberalise professional services by removing inter-provincial trade restrictions.</p> <p><i>Reduce effective taxation on capital to encourage business investment.</i></p>	
Czech Republic	<p>Stimulate hiring by cutting the costs of EPL for regular workers.</p> <p>Reduce tax wedge on low-income workers to strengthen work incentives for this group.</p> <p><i>Further liberalise the rental housing market to increase labour mobility.</i></p>	<p>Implement intended reform of bankruptcy laws and simplify business registration.</p> <p><i>Reform system of taxes and benefits to reduce poverty traps for non-employed households.</i></p>	
Denmark	<p>Strengthen work incentives by reducing the tax wedge on labour income.</p> <p>Assist disabled beneficiaries to rejoin the labour force part time, and introduce a waiting period and stronger certification for sickness benefit.</p> <p><i>Reduce implicit tax on continued work embedded in the early retirement scheme.</i></p>	<p>Reduce barriers to entry in industries to strengthen competition in product markets.</p> <p><i>Improve educational achievements to raise the efficiency of the work force.</i></p>	
Finland	<p>Strengthen work incentives by reducing the tax wedge on labour income.</p> <p>Reduce implicit tax on continued work at older ages by reforming early retirement pathways.</p> <p><i>Promote greater flexibility in centralised wage agreements to expand employment opportunities.</i></p> <p><i>Reduce the incidence of long-term unemployment by tapering unemployment benefits with duration.</i></p>	<p>Reduce the scale of public ownership, especially raising private provision of publicly-funded services.</p>	

Table 1.1. **Structural policies and performance: proposed priorities (cont.)**

Performance areas		
	Labour utilisation	Labour productivity
France	<p>Stimulate hiring by cutting the costs of EPL for regular workers.</p> <p>Stimulate labour demand for youth and low-skilled by allowing for a relative decline in the minimum cost of labour.</p> <p>Reduce implicit tax on continued work at older ages by reforming early retirement pathways.</p>	<p><i>Accelerate reforms aimed at lowering barriers to entry in network industries.</i></p> <p><i>Promote greater competition in retail distribution by reviewing regulation concerning retail outlet locations and pricing rules.</i></p>
Germany	<p>Strengthen work incentives by reducing the tax wedge on labour income.</p> <p><i>Reduce disincentives to work at older ages by removing preferential unemployment benefit eligibility conditions for older workers.</i></p>	<p>Improve secondary education achievements to raise efficiency of the workforce.</p> <p>Liberalise professional services by phasing-out binding fee schedules in specific professions.</p> <p><i>Raise competition in government procurement to increase public spending efficiency.</i></p>
Greece	<p>Reduce age/gender imbalances in unemployment by easing the most stringent provisions of EPL.</p> <p><i>Reduce disincentives to work at older ages by linking pension to lifetime earnings.</i></p>	<p>Accelerate reforms aimed at lowering barriers to entry in network industries.</p> <p>Promote greater domestic competition by reducing administrative costs for start-ups.</p> <p><i>Simplify the tax code to reduce compliance costs for businesses and to boost private investment.</i></p>
Hungary	<p>Reduce the tax wedge for low-income workers to improve their incentives to work in the formal economy.</p> <p><i>Refocus disability benefit schemes to encourage work by those with substantial work capacity.</i></p> <p><i>Downsize the housing loan subsidy programme to reduce housing market distortions and facilitate labour mobility.</i></p>	<p>Reduce state control on the operations of network industries to allow prices to better reflect market signals and to facilitate entry.</p> <p>Promote greater domestic competition by reducing administrative costs for start-ups.</p>
Iceland	<p><i>Reduce government backing of bonds issued by the Housing Finance Fund to reduce housing market distortions and facilitate labour mobility.</i></p>	<p>Lower barriers to entry for domestic and foreign firms especially in the energy and fisheries sectors.</p> <p>Raise overall human capital by improving enrolment and graduation rates from upper-secondary education.</p> <p>Reduce producer support to agriculture, especially the most trade-distorting type.</p> <p><i>Raise public-sector efficiency by accelerating performance measurement and management.</i></p>
Ireland	<p>Strengthen work incentives for lower-skilled second earners via a tax credit or a subsidy for child care.</p> <p><i>Phase-out tax deductibility of mortgage payments to reduce housing market distortions and facilitate labour mobility.</i></p>	<p>Ease regulatory burden on business operations to reduce compliance costs.</p> <p>Promote greater competition in network industries and retail distribution by facilitating entry.</p> <p><i>Strengthen enforcement of competition law by giving the competition authority more power.</i></p>
Italy	<p>Strengthen work incentives by reducing the tax wedge on labour income.</p> <p><i>Promote greater flexibility in wage bargaining by decentralising wage-setting arrangements in the public sector.</i></p>	<p>Reduce the scope of public ownership by allowing for more competition in the provision of public local services.</p> <p>Raise overall human capital by improving access to, and graduation rates from, upper-secondary and tertiary education.</p> <p><i>Improve corporate governance by strengthening directors' independence and minority shareholder rights.</i></p>

Table 1.1. **Structural policies and performance: proposed priorities** (cont.)

		Performance areas	
		Labour utilisation	Labour productivity
Japan	Stimulate hiring by cutting the costs of EPL for regular workers.		<p>Promote greater competition in network industries and professional services by facilitating entry.</p> <p>Reduce producer support to agriculture, especially the most trade-distorting type.</p> <p><i>Improve the soundness and functioning of financial system by resolving the non-performing loan problem.</i></p> <p><i>Reduce barriers to foreign direct investment to enhance technological transfers from abroad.</i></p>
Korea	Stimulate hiring by cutting the costs of EPL for regular workers.		<p>Promote greater competition in network industries and professional services by facilitating entry.</p> <p>Reduce producer support to agriculture, especially the most trade-distorting type.</p> <p><i>Improve the soundness and functioning of the financial system by extending privatisation and strengthening financial supervision.</i></p> <p><i>Reduce barriers to foreign direct investment to enhance technological transfers from abroad.</i></p>
Luxembourg	<p>Reduce implicit tax on continued work at older ages by reforming early retirement pathways.</p> <p>Strengthen incentives to move from welfare to work by raising in-work benefits at low wages relative to unemployment benefits.</p>		<p>Improve primary and secondary education achievements to raise efficiency of the work force.</p> <p><i>Raise public-sector efficiency by expanding the role of e-government and simplifying administrative procedures.</i></p> <p><i>Reduce barriers to competition in telecommunications to reap further benefits from liberalisation.</i></p>
Mexico	<i>Shift burden of taxation towards consumption by broadening the value-added tax base.</i>		<p>Improve secondary education achievements to raise efficiency of the workforce.</p> <p>Promote greater competition in product markets by reducing barriers to entry in industries.</p> <p>Reduce barriers to foreign ownership to enhance technological transfers from abroad.</p> <p><i>Strengthen investors' confidence by improving the enforceability of contracts.</i></p>
Netherlands	<p>Strengthen work incentives by reducing the tax wedge on labour income.</p> <p>Refocus disability benefit schemes to encourage work by those with substantial work capacity.</p> <p><i>Stimulate labour mobility by reforming residential zoning restrictions.</i></p>		<p>Reduce compliance costs for businesses by simplifying administrative procedures.</p> <p><i>Promote greater competition in network industries and retail distribution by facilitating entry.</i></p>
New Zealand	<p>Strengthen incentives to move from welfare to work via activation requirements and back-to-work bonuses.</p> <p><i>Stimulate labour demand by reconsidering recent measures that have raised labour costs.</i></p>		<p>Reduce barriers to foreign ownership and use other means to protect sensitive land.</p> <p>Improve educational achievement, in particular among ethnic minorities.</p> <p><i>Improve the regulatory framework for addressing infrastructure bottlenecks.</i></p>
Norway	<p>Refocus disability and sickness benefit schemes to encourage work by those with substantial work capacity.</p> <p><i>Use direct transfers rather than provisions of labour market and natural resource policies to achieve regional objectives.</i></p> <p><i>Reduce future pension contributions by using the Petroleum Fund to pre-fund part of pension liabilities.</i></p>		<p>Reduce the scope of public ownership by pursuing privatisation of competitive activities in network industries.</p> <p>Reduce producer support to agriculture, especially the most trade-distorting type.</p>

Table 1.1. **Structural policies and performance: proposed priorities** (cont.)

Performance areas		
	Labour utilisation	Labour productivity
Poland	<p>Refocus disability benefit schemes to encourage work by those with substantial work capacity.</p> <p><i>Increase labour mobility by improving transport and housing infrastructure.</i></p> <p><i>Stimulate labour demand for youth and low-skilled by allowing for a relative decline in the minimum cost of labour.</i></p>	<p>Intensify competitive pressures in a number of sectors by strengthening the privatisation programme.</p> <p>Reduce barriers to foreign ownership to enhance technological transfers from abroad.</p>
Portugal	<p>Stimulate hiring of regular workers and facilitate labour mobility by cutting the costs of EPL.</p>	<p>Improve secondary education achievements to raise efficiency of the workforce.</p> <p>Reduce state control in certain network industries to promote effective competition.</p> <p><i>Raise public-sector efficiency by accelerating the reform of public administration.</i></p> <p><i>Simplify the tax system to reduce compliance costs for businesses.</i></p>
Slovak Republic	<p>Reduce the tax wedge for low-income workers to improve their incentives to work in the formal economy.</p> <p><i>Promote a rules-based business environment by strengthening the governance of the judicial and enforcement systems law.</i></p> <p><i>Reduce future pension contributions by raising standard retirement age.</i></p>	<p>Reduce state control in certain network industries to promote effective competition.</p> <p>Raise overall level of human capital by improving secondary education achievements and access to tertiary education.</p>
Spain	<p>Promote greater flexibility in wage determination by limiting the extent of administrative extension of collective agreements.</p> <p>Stimulate hiring of regular workers by cutting the costs of EPL for this group.</p> <p><i>Reduce future pension contributions by making the public pension system actuarially fair.</i></p> <p><i>Phase out tax advantages for home ownership to reduce housing market distortions and facilitate labour mobility.</i></p>	<p>Raise overall level of human capital by improving upper-secondary and tertiary education achievements.</p>
Sweden	<p>Refocus sickness and disability benefit schemes to encourage work by those with substantial work capacity.</p> <p>Strengthen work incentives by reducing the tax wedge on labour income.</p> <p><i>Reduce work disincentives by reconsidering measures that would result in lower working hours.</i></p> <p><i>Improve labour mobility by reducing housing market distortions.</i></p>	<p>Reduce the scope of public ownership by allowing for more competition in the provision of public local services.</p>
Switzerland	<p><i>Refocus invalidity pension schemes to encourage work by those with substantial work capacity and to stem rises in tax burden.</i></p> <p><i>Promote competition in the provision of medical products and services to contain increases in health care costs.</i></p>	<p>Further liberalise professional services by removing inter-cantonal trade restrictions.</p> <p>Promote greater competition in product markets by reducing barriers to entry in network industries.</p> <p>Reduce producer support to agriculture, especially the most trade-distorting type.</p>

Table 1.1. **Structural policies and performance: proposed priorities** (cont.)

		Performance areas	
		Labour utilisation	Labour productivity
Turkey	Strengthen incentives to work in formal activities by reducing the tax wedge on labour income.		<p>Promote greater domestic competition by reducing administrative costs for start-ups.</p> <p>Reduce the scope of public ownership to allow for more competition in network industries.</p> <p><i>Raise public-sector efficiency by implementing results-oriented budgeting in core public activities.</i></p> <p><i>Reduce genders imbalances in education by raising educational enrolments by women.</i></p>
United Kingdom	<p>Refocus invalidity pension schemes to encourage work by those with substantial work capacity.</p> <p>Strengthen employment prospects for low-skilled workers by improving vocational education at the upper-secondary level.</p>		<p>Improve public infrastructure, especially for transport to further reduce bottlenecks.</p> <p><i>Raise public-sector efficiency by strengthening incentives to pursue performance targets in publicly-funded services.</i></p> <p><i>Enhance competition in some service sectors by reviewing planning restrictions.</i></p>
United States	<p>Limit increases in labour costs by reforming Medicare to restrain health care costs.</p> <p><i>Encourage private saving by shifting the burden of taxation towards consumption.</i></p>		<p>Improve primary and secondary education achievements to raise efficiency of the workforce.</p> <p>Reduce producer support to agriculture, especially the most trade-distorting type.</p> <p><i>Stand firm on promoting transparency and accountability in corporate governance.</i></p>
European Union	<i>Improve intra-EU labour mobility by enhancing portability of pension and other benefit entitlements.</i>		<p>Ease internal regulatory obstacles to cross-border trade and entry to strengthen competition.</p> <p>Promote greater competition in product markets by further reducing barriers to market contestability in network industries.</p> <p>Reduce producer support to agriculture, especially the most trade-distorting type.</p> <p><i>Enhance competition in financial services by ensuring full implementation of Financial Services Action Plan.</i></p>

Notes

- Given that the high ranking of Norway partly reflects the contribution from exploiting its oil reserves, the United States is considered as the leading country in terms of GDP per capita.
- However, GDP per capita overstates the level of living standards in Ireland because of large income transfers to abroad from foreign subsidiaries (see Annex 1.A.1).
- The indicators displayed in Chapter 2 are generally comparable across countries and over time. However, movements in some of the indicators may also reflect changes in the methodology used for the calculation.
- The efficiency of the health sector is considered even though the link with growth performance is perhaps not as obvious as in the case of education. The reason is that fast-rising health care costs, as have been observed in many countries in recent years, can have an adverse influence on employment rates by putting upward pressures on indirect labour costs. In countries where health care is provided by the public sector, the associated costs are reflected in social security contribution rates and hence the tax wedge. And, in countries where health care is, to a large extent, provided by the private sector, the cost increases will not show up in the measured tax wedge, but will nonetheless be reflected in labour costs.
- The policy areas covered by indicators will be expanded in the future as planned special studies on particular policy-performance linkages will enrich the indicator set used for surveillance.