



# PURSuing STRONG, SUSTAINABLE AND BALANCED GROWTH: A NOTE ON IMPLEMENTATION OF STRUCTURAL REFORM COMMITMENTS

Organisation for Economic Co-operation and Development

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## Summary

- Implementation of structural policy priorities since adoption of the Seoul Action Plan has varied across policy domains. Reform action has focused on removing impediments to labour utilisation by reforming labour market regulations in the advanced economies whose labour markets have been affected most severely by the recession. The emerging-market economies have prioritised implementation of labour productivity-enhancing measures, especially in the areas of product market regulation and taxation.
- By contrast, implementation of reform priorities has been comparatively slow in certain policy areas, particularly support for innovation and labour force participation, including of women and informal-sector workers, as well as reform of tertiary education, which are among the policy commitments of both advanced and emerging-market economies.
- Several policy commitments identified in the Seoul Action Plan feature prominently among the reform priorities selected through the OECD's surveillance of structural policies in G20 countries and reported in *Going for Growth*. This includes not least measures to make product market regulations more competition-friendly and to enhance human capital. The *Going for Growth* exercise identifies additional pro-growth reform priorities on which G20 countries may focus to advance their reform agenda towards attainment of their shared objectives.

## 1 Introduction

This Note reports on implementation of the structural reform commitments identified by G20 countries in the Seoul Action Plan and subsequent updates, and reported in greater detail in the national policy templates. In doing so, the Note complements the preliminary Report (*Pursuing Strong, Sustainable and Balanced Growth: Taking Stock of Structural Reform Commitments*) submitted to the Framework Working Group and the G20 Deputies ahead of their 8-9 July meeting, which focused on taking stock of implementation of *Going for Growth* priorities in G20 countries.

Building on the OECD's regular surveillance of structural policies in G20 countries, the Note summarises the structural policy commitment made by G20 countries in five main policy domains (product market regulations, labour market regulations, taxation, human capital and financial regulation). Policy priorities identified in other areas by a number of countries are also taken into account. In addition, progress in structural policy implementation is assessed on the basis of quantitative indicators that can be updated regularly. Finally, based on *Going for Growth*, the Note identifies areas for additional reform that could complement the policy commitments reported in the Seoul Action Plan towards achieving stronger, more sustainable and balanced growth.

## 2 Implementation of G20 structural reform commitments

**G20 countries have identified pro-growth structural policy commitments in the Seoul Action Plan, including measures to boost labour/multifactor productivity and to improve labour utilisation (Table 1).** Productivity-enhancing measures include pro-competition reforms in product markets, initiatives to improve education systems and enhance educational attainment, and general support for innovation. In some cases, emphasis is also placed on infrastructure development, tax reform and measures to promote openness to foreign trade and investment. Reforms to remove impediments to labour utilisation focus primarily on job creation for youths, and actions to strengthen labour training, encourage labour force participation for certain groups (especially women, youths and the elderly) and improve the matching of workers to jobs. Reform of employment protection legislation and tax-benefit systems also feature prominently among reform priorities. Structural policy commitments in other areas include a strengthening of legal systems, support for regional development, poverty reduction and initiatives to deal with the security of food and/or energy supply and to improve water resource management. Countries are also committed to enhancing financial regulation and supervision systems, including by strengthening prudential regulation.

**Several pro-growth structural reforms that are prominent in the Seoul Action Plan also contribute to making growth more sustainable and balanced.** This is the case, for example, of policy initiatives to enhance public sector efficiency, to reform pension and health care systems, and to encourage labour force participation, which would make for stronger public finances. Higher growth as a result of structural reform might also improve the government debt dynamics in those countries with weak fiscal positions in the aftermath of the global crisis. At the same time, structural measures to strengthen social safety nets, implement pro-competition reform in protected sectors and support the development of non-tradeable sectors, including services, would contribute to rebalancing growth towards domestic sources in those countries with persistently large external surpluses.

**Countries have taken steps to implement the structural policy commitments identified in the Seoul Action Plan (summarised in Table 1).** A review of actions taken towards implementation of these policy commitments shows that progress has been greatest in the area of product market regulations. Reforms in this area have much scope for raising long-term material standards of living by improving labour productivity and removing impediments to labour utilisation (**Figure 1**). There has also been progress in implementation of policy commitments to reform labour market regulations, especially with the aim of enhancing labour utilisation in the advanced economies whose labour markets have been affected most severely by the recession. The emerging-market economies have prioritised implementation of labour productivity-enhancing measures, especially in the areas of product market regulation and taxation.

**By contrast, implementation of reform priorities has been comparatively slow in certain policy domains.** This is true of support for innovation and reform of tertiary education, which are among policy commitments of both advanced and emerging-market economies. To some extent, slow implementation may reflect the emphasis placed in those areas in previous years, especially during the global crisis, although in some countries there remains room for further action. Implementation of commitments to strengthen support and incentives for labour force participation, including of women and informal-sector workers, has also been comparatively slow. Although much has been done to make product market regulations more conducive to competition, further action is needed in many countries to fully implement their policy commitments in this area.

Table 1. Structural policy commitments in G20 countries<sup>1</sup>

	Argentina	Australia	Brazil	Canada	China	Germany	European Union	France	India	Indonesia	Italy	Japan	Korea	Mexico	Russia	Saudi Arabia	South Africa	Spain	Turkey	United Kingdom	United States
<b>Product market regulations</b>																					
Strengthen competition in network industries		✓			✓	✓		✓						✓			✓		✓		
Reform/simplify product market regulations		✓	✓	✓					✓		✓			✓				✓	✓		
Reduce barriers to competition in the services sector					✓	✓	✓	✓			✓		✓					✓			
Reduce barriers to foreign ownership/investment/trade	✓			✓	✓	✓	✓	✓		✓	✓			✓			✓				
Reduce regulatory barriers to competition		✓	✓	✓	✓	✓	✓	✓			✓		✓	✓			✓	✓			✓
Strengthen private-sector participation in econ. activity													✓	✓				✓	✓		
Reform planning regulations																					✓
<b>Labour market regulations</b>																					
Reform the unemployment insurance scheme					✓																✓
Reduce restrictions on labour mobility				✓	✓	✓	✓								✓						
Reduce/moderate the minimum cost of labour																			✓		
Reduce/ease job protection						✓		✓													
Reform the wage bargaining system											✓		✓	✓			✓	✓			
Strengthen policies to support female lab. force particip.						✓					✓	✓	✓				✓	✓		✓	
Improve incentives for (formal) labour force participation	✓						✓		✓	✓	✓					✓	✓	✓	✓	✓	✓
<b>Taxation</b>																					
Reform/strengthen the structure of taxation	✓	✓	✓	✓	✓				✓	✓			✓	✓	✓		✓				
Reduce implicit taxes on continued work at older ages								✓			✓	✓			✓						
Reduce the (average) tax wedge on labour income	✓	✓	✓											✓							
Shift toward indirect taxes									✓												

1. Refers to the reform priorities identified in the G20 countries' national policy template submissions before and after the Toronto Summit and in the Seoul Action Plan.

Source: OECD.

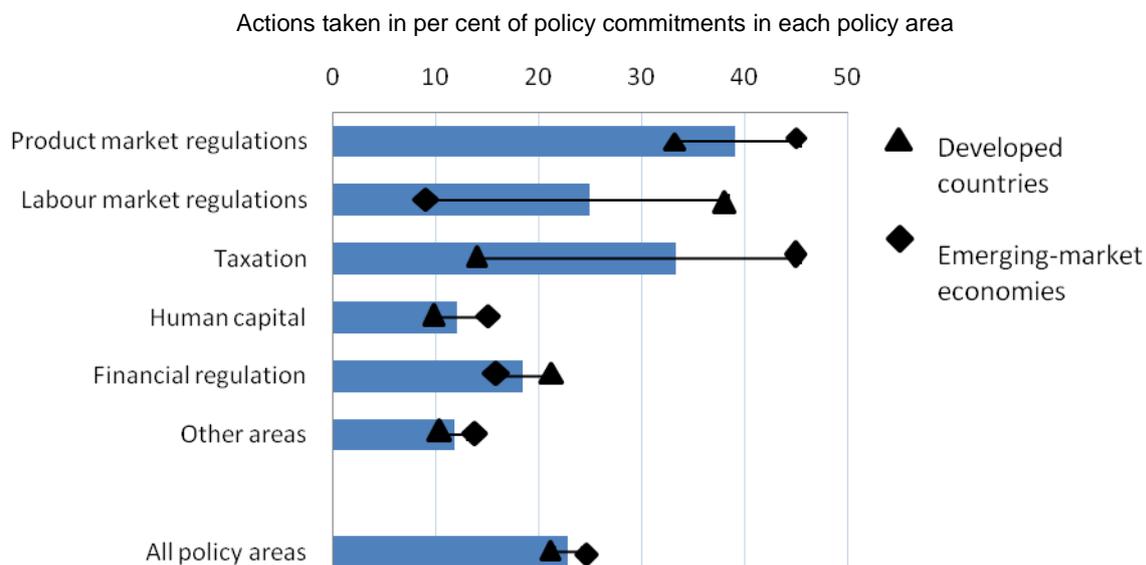
Table 1. Structural policy commitments in G20 countries<sup>1</sup> (cont'd)

	Argentina	Australia	Brazil	Canada	China	Germany	European Union	France	India	Indonesia	Italy	Japan	Korea	Mexico	Russia	Saudi Arabia	South Africa	Spain	Turkey	United Kingdom	United States
<b>Human capital</b>																					
Improve educational efficiency/outcomes/achievement	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓			✓		✓	✓	✓		✓	✓
Strengthen early education												✓									✓
Strengthen primary education									✓	✓											✓
Strengthen secondary education										✓	✓										✓
Reform tertiary education		✓	✓	✓		✓		✓		✓	✓	✓	✓					✓			✓
<b>Financial regulation</b>																					
Improve/streamline financial regulation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Undertake wide-ranging financial reforms	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Other areas</b>																					
Improve public sector efficiency							✓			✓	✓								✓		
Improve health outcomes		✓							✓	✓				✓						✓	
Reduce health-care costs		✓			✓														✓		✓
Strengthen R&D and innovation incentives	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓						✓	✓	✓
Strengthen the legal system			✓		✓									✓	✓						
Improve the quality of infrastructure	✓	✓	✓	✓	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

1. Refers to the reform priorities identified in the G20 countries' national policy template submissions before and after the Toronto Summit and in the Seoul Action Plan.

Source: OECD.

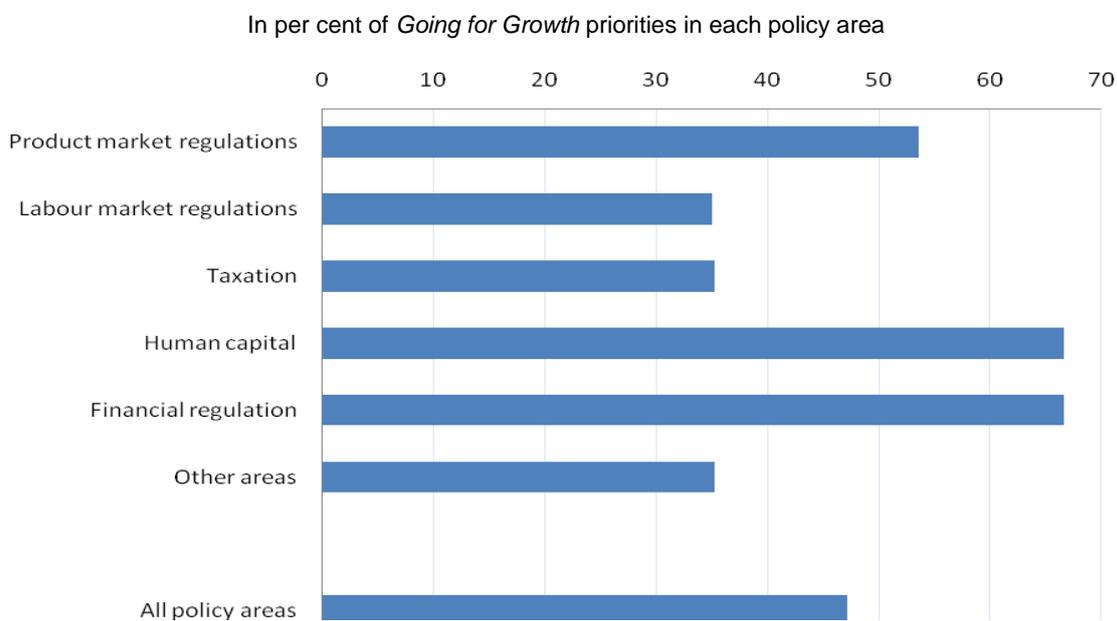
Figure 1. **Implementation of structural policy commitments since adoption of the Seoul Action Plan**<sup>1</sup>



1. Implementation is defined as the ratio of the number of policy commitments where some action has been taken since adoption of the Seoul Action Plan to the number of policy commitments identified in the Seoul Action Plan and in subsequent updates, and presented in greater detail in the national policy templates (summarised in Table 1).

Source: OECD.

Figure 2. **Going for Growth priorities addressed in the G20 policy commitments**<sup>1</sup>



1. Based on the current policy priorities identified in *Going for Growth* (reported in Appendix 1) and the G20 policy commitments summarised in Table 1.

Source: OECD.

### 3 Options for further structural reform

The *Going for Growth* exercise identifies areas on which G20 countries may focus to advance their policy reform agenda. Many of the structural policy commitments identified in the Seoul Action Plan are also included among *Going for Growth* reform priorities (reported in **Appendix 1**<sup>1</sup>), particularly in the areas of product and labour market regulations and policies to strengthen human capital, which suggests that both exercises point to common directions for reform (**Figure 2**). However, there are policy domains that feature comparatively more prominently among *Going for Growth* priorities than in the Seoul Action Plan. In particular:

- In the area of **product-market regulations**, a number of advanced countries could take additional steps to remove restrictions to entry in network industries and professional services, which are areas where progress in implementing reform has been somewhat slower than desirable. Pro-growth reforms in these areas could yield the additional dividend of unleashing opportunities for investment and, as a result, would contribute to external rebalancing in surplus countries. Many emerging-market economies could focus on reducing barriers to trade and investment to make their regulatory environment in product markets more supportive of productivity-enhancing competition.
- In the area of **taxation**, many countries would benefit from improvements in the structure of their tax systems in a manner that further reduces impediments to labour utilisation and enhances labour productivity. Together with initiatives to bolster the **human capital** of low-skilled workers, which are among the *Going for Growth* priorities for several emerging-market economies, these pro-growth reforms in the tax area could contribute to growth sustainability by making it more socially inclusive.
- As for the **other policy domains** that rank prominently among *Going for Growth* reform priorities, some countries would do well to reduce producer support for agriculture and energy subsidies, notwithstanding the political economy constraints to swift action in these areas.

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1. See OECD (2011), *Going for Growth* (OECD, Paris) for more information.

## APPENDIX 1. GOING FOR GROWTH POLICY PRIORITIES FOR G20 COUNTRIES

Country	Policy priority	Policy target	Policy sub-domain
Australia	1	Enhance capacity and regulation in infrastructure	Productivity Public infrastructure
	2	Relax barriers to foreign direct investment	Productivity Product market regulation
	3	Improve the efficiency of the tax system	Productivity Tax system
	4	Increase incentives for workforce participation	Labour utilisation Labour taxation
	5	Improve the performance of early childhood education	Productivity Human capital
Brazil	1	Increase the quality of secondary and tertiary education	Productivity Human capital
	2	Reform financial market regulation	Productivity Financial regulation
	3	Improve infrastructure provision	Productivity Public infrastructure
	4	Reduce distortions in the tax system	Productivity Tax system
	5	Improve incentives for formal labour force participation	Labour utilisation Tax system
Canada	1	Reduce barriers to competition	Productivity Product market regulation
	2	Reduce barriers to foreign ownership	Productivity Product market regulation
	3	Lower corporate taxation and shift toward consumption taxes	Productivity Tax system
	4	Improve R&D support policies	Productivity Innovation policies
	5	Reform the unemployment insurance system	Labour utilisation Unemployment benefits
China	1	Reduce the importance of the state-owned sector in the economy	Productivity Product market regulation
	2	Improving educational attainment	Productivity Human capital
	3	Reduce administrative burdens on companies	Productivity Product market regulation
	4	Further enhance the rule of law	Productivity Legal system
	5	Reduce barriers to urbanisation	Productivity Labour mobility, Other policy areas

<b>Country</b>		<b>Policy priority</b>	<b>Policy target</b>	<b>Policy sub-domain</b>
European Union	1	Increase competition in the services sector	Productivity	Product market regulation
	2	Raise competition in network industries	Productivity	Product market regulation
	3	Reduce producer support to agriculture	Productivity	Agriculture
	4	Reform financial regulation and deepen market integration	Productivity	Financial regulation
	5	Improve the functioning of the labour market	Labour utilisation	Labour mobility, Other policy areas
France	1	Reduce disincentives to continued work at older ages	Labour utilisation	Implicit tax on continued work at older ages
	2	Reduce labour-market dualism	Productivity, Labour utilisation	Job protection
	3	Reduce the labour tax wedge and the minimum cost of labour	Labour utilisation	Labour taxation, Wage formation and minimum cost of labour
	4	Improve the quality and efficiency of the tertiary education system	Productivity	Human capital
	5	Reduce regulatory barriers to competition	Productivity	Product market regulation
Germany	1	Reduce barriers to competition in the services sector	Productivity	Product market regulation
	2	Improve tertiary education outcomes	Productivity	Human capital
	3	Reduce tax wedges on labour income and shift taxation to property and consumption taxes	Productivity, Labour utilisation	Tax system
	4	Reduce impediments to full-time female labour participation	Labour utilisation	Tax on second earners
	5	Ease job protection for regular workers	Productivity, Labour utilisation	Job protection
India	1	Reduce trade and FDI barriers as well as administrative burdens	Productivity	Product market regulation
	2	Improve education outcomes	Productivity	Human capital
	3	Ease job protection	Productivity, Labour utilisation	Job protection
	4	Enhance infrastructure provision	Productivity	Public infrastructure
	5	Undertake wide-ranging financial sector reforms	Productivity	Financial regulation

Country	Policy priority	Policy target	Policy sub-domain	
Indonesia	1	Strengthen resources for secondary education and improve the overall efficiency of the education system	Productivity	Human capital
	2	Improve the regulatory environment for infrastructure	Productivity	Product market regulation
	3	Reform labour regulation to address the problem of informality	Labour utilisation	Job protection
	4	Ease barriers to entrepreneurship and strengthen institutions to fight corruption	Productivity	Product market regulation, Legal system
	5	Phase out energy subsidies	Productivity	Tax system
Italy	1	Reduce regulatory and administrative barriers to competition	Productivity	Product market regulation
	2	Improve the efficiency of secondary and tertiary education	Productivity	Human capital
	3	Improve the efficiency of the tax structure and shift toward indirect taxes	Productivity	Tax system
	4	Reduce public ownership	Productivity	Product market regulation
	5	Reduce labour market duality	Productivity, Labour utilisation	Job protection
Japan	1	Reform regulation in network sectors	Productivity	Product market regulation
	2	Reduce producer support to agriculture	Productivity	Agriculture
	3	Reduce the dualism of job protection	Productivity, Labour utilisation	Job protection
	4	Remove restrictions on FDI	Productivity	Product market regulation
	5	Restructure the tax system	Productivity	Tax system
Korea	1	Ease regulation of network sectors and services	Productivity	Product market regulation
	2	Reduce producer support to agriculture	Productivity	Agriculture
	3	Reform employment protection by reducing protection for regular contracts	Productivity, Labour utilisation	Job protection
	4	Improve the efficiency of the tax system by relying more on indirect taxes	Productivity	Tax system
	5	Strengthen policies to support female labour force participation	Labour utilisation	Other policy areas, Child care

Country		Policy priority	Policy target	Policy sub-domain
Mexico	1	Raise achievement in primary and secondary education	Productivity	Human capital
	2	Reduce barriers to firm entry	Productivity	Product market regulation
	3	Reduce barriers to foreign ownership	Productivity	Product market regulation
	4	Improve the rule of law	Productivity	Legal system
	5	Reform the state-owned oil company	Productivity	Product market regulation
Russian Federation	1	Lower barriers to trade and foreign direct investment	Productivity	Product market regulation
	2	Reduce state control over economic activity	Productivity	Product market regulation
	3	Raise the effectiveness of innovation policy	Productivity	Innovation policies
	4	Raise the quality of public administration	Productivity	Public sector efficiency
	5	Reform the healthcare system	Productivity	Public sector efficiency
South Africa	1	Raise the quality of education and reduce its dispersion	Productivity	Human capital
	2	Enhance competition in network industries	Productivity	Product market regulation
	3	Reform the wage bargaining system	Labour utilisation	Wage formation and minimum cost of labour
	4	Strengthen policies to tackle youth unemployment	Labour utilisation	Wage formation and minimum cost of labour, Other policy areas
	5	Reduce barriers to entrepreneurship	Productivity	Product market regulation
Spain	1	Improve educational attainment in secondary education	Productivity	Human capital
	2	Make wages more responsive to economic and firm-specific conditions	Labour utilisation	Wage formation and minimum cost of labour
	3	Ease employment protection legislation for permanent workers	Productivity, Labour utilisation	Job protection
	4	Reduce the disincentives for older workers to continue working	Labour utilisation	Implicit tax on continued work at older ages
	5	Ease regulation of retail outlets	Productivity	Product market regulation

Country	Policy priority	Policy target	Policy sub-domain
Turkey	1	Reduce the minimum cost of labour	Labour utilisation Wage formation and minimum cost of labour
	2	Improve educational achievement	Productivity Human capital
	3	Reform employment protection legislation	Productivity, Labour utilisation Job protection
	4	Simplify product market regulations	Productivity Product market regulation
	5	Reduce incentives for early retirement	Labour utilisation Implicit tax on continued work at older ages
United Kingdom	1	Improve the education achievement of young people	Productivity Human capital
	2	Improve public infrastructure, especially for transport	Productivity Public infrastructure
	3	Further reform disability benefit schemes	Labour utilisation Disability and sickness benefits
	4	Strengthen public sector efficiency	Productivity Public sector efficiency
	5	Reform planning regulations	Productivity Housing policies
United States	1	Improve primary and secondary education	Productivity Human capital
	2	Improve the efficiency of the health care sector	Productivity Other policy areas, Healthcare costs
	3	Improve the efficiency of the tax system	Productivity Tax system
	4	Reduce agricultural subsidies	Productivity Agriculture
	5	Strengthen policies to promote social mobility	Productivity Human capital

1. The policy priorities are those included in the 2011 edition of *Going for Growth*, published in April 2011.

Source: OECD (*Going for Growth* database).