PURSUING STRONG, SUSTAINABLE AND BALANCED GROWTH: THE ROLE OF STRUCTURAL REFORM

Organisation for Economic Cooperation and Development

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1 Introduction

At the Toronto Summit of June 2010, G20 Leaders committed themselves to taking "concerted actions to sustain the recovery, create jobs and achieve stronger, more sustainable and more balanced growth". To achieve this objective, broad agreement has emerged among G20 countries through the G20 Mutual Assessment Process that comprehensive structural reform would be needed to recover the output losses associated with the global crisis, to put the public finances back on a sustainable track in many countries and to rebalance global growth to avoid unsustainable internal and external imbalances from re-emerging as the global recovery gathers pace. The OECD has contributed to this process by bringing to the G20 policy debate the lessons learnt from the Organisation's regular surveillance of structural policies in a growing number of G20 countries and by collaborating with other international institutions, including the International Monetary Fund and the World Bank, on the quantification of the impact of structural reform on economic performance. A combination of well designed macroeconomic and structural policies is essential for improving economic performance along the three, equally important dimensions of the G20 Framework: strong, sustainable and balanced growth.

As the G20 Mutual Assessment Process evolves, new avenues for further OECD contribution are emerging. Ongoing efforts to integrate fully an increasing number of G20 countries in the OECD's structural surveillance activities will shed new light on policy priorities for achieving the commitments made in Toronto. The OECD has launched several projects and initiatives on new sources of growth – including innovation and "green" growth – which will contribute to the G20 policy debate by improving policymakers' understanding of the impact of structural reforms on economic performance and welfare, while taking account of the diversity in policy priorities and needs among G20 countries. The OECD is also engaged in policy-oriented research on the policy levers for improving outcomes in pursuit of stronger, more balanced and sustainable growth.

This Report is structured as follows. First, it elaborates on how the policy priorities identified in the OECD structural surveillance process (**Box 1**) and by G20 countries in their national policy templates would contribute to stronger growth, sounder public finances and more sustainable global imbalances. The Report then discusses options for strengthening the OECD contribution to the G20 Framework.

Box 1. The OECD structural surveillance process

Structural surveillance is based on a systematic international benchmarking exercise that ensures consistency across countries and avoids one-size-fits-all recommendations. Emphasis is placed on the selection of indicators that allow for a mapping of policy actions to outcomes with a view to promoting best practice and raising living standards. Priorities for policy reform are identified in cases where a weakness in economic performance can be traced back to an inadequate policy setting. This benchmarking exercise therefore takes specific country conditions and institutional settings into account and avoids blanket policy recommendations for different countries.

Box 1. The OECD structural surveillance process (continued)

Five priorities are identified every other year for each country. At least three priorities are identified on the basis of the benchmarking exercise and any remaining priority in areas not covered by the benchmarking exercise is selected among the country-specific policy recommendations presented in the *OECD Economic Surveys*. To underscore country ownership of the reform process, the structural policy priorities are discussed with and vetted by country authorities prior to publication in *Going for Growth*, the OECD yearly publication on structural reform. The technical analyses and policy recommendations reported in the *Economic Surveys* go through a separate peer review process. The next edition of *Going for Growth* is scheduled for publication in March 2011.

Structural surveillance is being extended to all G20 countries. *Going for Growth* focused originally on the OECD member countries and the European Union and is now being extended to Brazil, China, India, Indonesia, Russian Federation and South Africa. For these countries, surveillance of structural policies has so far been carried out predominantly through the *OECD Economic Surveys.*

2 How can structural reform lead to stronger growth?

Going for Growth reform priorities for G20 countries

Several structural policy priorities have been identified in *Going for Growth* to improve economic performance in G20 countries (Table 1 and **Annex 1**).[1] Based on the benchmarking exercise that underpins *Going for Growth* (described in **Box 1**), reform priorities are set to tackle structural weaknesses in different policy domains in order to increase potential growth by raising labour productivity and utilisation (employment and hours worked). The selection of policy priorities reflects country-specific conditions and institutional settings, and may therefore vary across policy domains, even among countries with comparable levels of development. Of course, the classification of reforms according to whether they primarily raise employment or productivity is stylised and reflects the main channel through which they are expected to increase GDP per capita. In practice, however, a number of reforms can have both employment and productivity effects.

Policy priorities identified in *Going for Growth* to raise labour productivity include:

- **Pro-competition reforms are among the most pressing priorities identified in *Going for Growth* for raising labour productivity in G20 countries**. Many countries have taken steps over the years to reduce barriers to entry and entrepreneurship, as well as to alleviate administrative burdens on businesses and start-ups. Nevertheless, further pro-competition reforms remain a priority in product markets in emerging-market and advanced countries alike, including in network industries (especially energy and other network sectors), retail trade and professional services. A reduction of public ownership, state intervention in the economy and restrictions on trade and foreign investment is also important in some cases, especially in the emerging-market economies.

1. The structural reform priorities presented in this Report refer to the 2011 edition of *Going for Growth*, which is scheduled for publication in March 2011.

Table 1. Structural reform in G20 countries: *Going for Growth* priorities

Policy domains and sub-domains	Current policy priorities[1]
Product market regulations	
Strengthen competition in network industries	European Union, Japan, Korea, South Africa
Reform/simplify product market regulations	China, Indonesia, Turkey
Reduce barriers to competition in the services sector	Germany, European Union, Korea
Reduce barriers to foreign ownership/investment/trade	Australia, Canada, India, Japan, Mexico, Russian Federation
Reduce regulatory barriers to competition	Canada, France, Indonesia, Italy, Mexico, South Africa, Spain
Strengthen private-sector participation in economic activity	China, Italy, Mexico, Russian Federation
Reform planning regulations	United Kingdom
Labour market regulations	
Reform (disability) benefit schemes	United Kingdom
Reform the unemployment insurance scheme	Canada
Reduce restrictions on labour mobility	China, European Union
Reduce/moderate the minimum cost of labour	France, South Africa, Turkey
Reduce/ease job protection	Germany, France, India, Italy, Japan, Korea, Spain, Turkey
Reform the wage bargaining system	South Africa, Spain
Strengthen policies to support female labour force participation	Korea
Improve incentives for (formal) labour force participation	Brazil, Indonesia
Taxation	
Reform/strengthen the structure of taxation	Australia, Brazil, Canada, Germany, Japan, United States
Reduce implicit taxes on continued work at older ages	France, Spain, Turkey
Reduce the (average) tax wedge on labour income	Australia, Brazil, Germany, France
Shift toward indirect taxes	Italy, Korea
Reduce impediments to full-time female participation	Germany
Phase out energy subsidies	Indonesia
Human capital	
Improve educational efficiency/outcomes/achievement	China, United Kingdom, India, Indonesia, Mexico, South Africa, Turkey
Strengthen early education	Australia
Strengthen primary education	Mexico, United States
Strengthen secondary education	Brazil, Indonesia, Italy, Mexico, Spain, United States
Reform tertiary education	Brazil, Germany, France, Italy
Promote social mobility	United States
Financial regulation	
Improve/streamline financial regulation	Brazil, European Union
Undertake wide-ranging financial reforms	India
Other areas	
Reduce producer support to agriculture	European Union, Japan, Korea, United States
Improve public sector efficiency	United Kingdom, Russian Federation
Improve health outcomes	Russian Federation
Reduce health care costs	United States
Strengthen R&D and innovation incentives	Canada, Russian Federation
Strengthen the legal system	China, Indonesia, Mexico
Improve the quality of infrastructure	Australia, Brazil, United Kingdom, India

1. These reform priorities are identified in the 2011 edition of *Going for Growth*, which is scheduled for publication in March 2011.

Source: OECD *Going for Growth* database.

- **Several G20 countries would have much to gain from reforming education systems to raise labour productivity.**[2] In most countries, reform options focus on enhancing the cost-effectiveness of government spending on education and on improving achievements in the secondary and tertiary levels of education. But emphasis is also being placed on improving access to and quality of early childhood and primary education to broaden opportunity and stimulate subsequent learning. There is growing appreciation that the growth impact of improvements in the quality of education is at least as important as that of increasing the labour force's number of years of schooling. The dividends of reform in this area go beyond productivity enhancement and include, not least, broader social development and greater intergenerational social mobility.

- **Various aspects of tax reform have been identified as priorities for productivity enhancement**. Policy action has been motivated in many countries in recognition of the growth implications of the structure of taxation, especially in so far as the incentives created by the tax system for investing, saving and innovating are concerned.[3] Notwithstanding progress over the years, a number of countries still need to improve the efficiency of their tax systems, in some cases through a shift of taxation towards consumption.

Pro-growth policy priorities have also been identified to remove impediments to labour utilisation. In particular:

- **In some cases, a restructuring of unemployment benefit systems is recommended**. While unemployment insurance has been an important device for mitigating the income losses caused by the global crisis, a number of (essentially advanced) countries would do well to reduce the duration and replacement rates of unemployment benefits (especially where such benefits are already generous), to strengthen job-search incentives for the unemployed and to reduce structural unemployment. Other countries are encouraged to broaden access to childcare and to put in place appropriate parental leave policies to facilitate female labour force participation.

- **Several G20 countries would have much to gain from lowering excessively high average and (in particular) marginal taxes on labour income, including through cuts in social contributions**. Reform in this area would encourage labour force participation and could lower unemployment, especially among workers on low pay. Given the substantial fiscal challenges that many countries face, it will be important to make progress in this area only gradually and along with initiatives to broaden tax bases and to seek efficiency gains in government spending (discussed below). A shift in the structure of taxation away from taxes on factor income (such as personal and corporate income) and towards less distorting instruments, such as taxes on consumption or immovable property, would also be welcome, although the impact that these reforms may have on income distribution would need to be taken into consideration.

- **Labour utilisation could be improved through reforms to labour market regulations, wage setting and housing policies**. In some countries, a reduction in the level of protection of permanent jobs remains a priority for reducing labour market duality. In other countries, easing restrictions on temporary contracts could facilitate job creation. In some cases, reforms of job

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2. The OECD Programme for International Student Assessment (PISA), an internationally standardised assessment of 15-year-olds' achievements in 65 countries, is already supporting countries to set policy targets and advance their reform agendas. PISA assesses how far students near the end of compulsory education have acquired some of the knowledge and skills that are essential for full participation in society.

3. See A. Johansson *et al.* (2008), "Taxation and Economic Growth", *OECD Economics Department Working Papers*, No. 620 (OECD, Paris) for more information and empirical evidence.

protection systems should be accompanied by a concomitant introduction or strengthening of unemployment benefit or insurance systems. Initiatives to this end would allow for enhancing social protection while at the same time tackling labour market rigidities. Easing some elements of housing policy, such as rent regulation, could encourage labour mobility and therefore a better allocation of labour across sectors and regions.

- **Most emerging-market economies face the challenge of tackling labour informality, which constrains effective labour utilisation and perpetuates social exclusion.** Of course, labour informality is a multi-dimensional phenomenon that requires concerted policy action in several areas, in addition to employment protection legislation. This includes initiatives to strengthen the marketability of low-skilled workers, especially by improving their educational achievement, and to put in place an effective system of social protection.

Structural reform priorities also cover other policy domains. This is the case of efforts to tackle public infrastructure deficiencies (especially in the transport and water/sanitation sectors) and to enhance government efficiency more generally (not least in the health care and education sectors), where the scope for improvement is large in a number of countries.[4] In the case of agriculture, a reduction in producer support remains a priority in some cases. Innovation-friendly reforms are also among *Going for Growth* priorities. Not least, financial sector reform is also needed in some countries, including through options to promote financial deepening in emerging-market economies, and could have the payoff of facilitating productivity-enhancing investment.[5]

The distribution of *Going for Growth* priorities varies across groups of countries, depending on their specific conditions. There is a preponderance of productivity-enhancing priorities for the emerging-market economies, especially in product market regulations and education, reflecting the performance of these countries relative to the more advanced countries in the G20 area. The more advanced countries tend to have wider labour utilisation gaps in relation to best performers, which calls for remedial policies to raise employment and hours worked. Differences in the distribution of priorities among countries reflect the fact that *Going for Growth* avoids one-size-fits-all policy recommendations and takes specific country conditions and institutional settings into account.

Quantifying the growth payoff of structural reform

Structural reforms can have a strong effect on potential growth. Although it is difficult to quantify the precise effects of reform on economic outcomes, the results of policy simulations carried out by the OECD (and shared with the International Monetary Fund) illustrate the potential for structural reform to improve growth outcomes. On the basis of different stylised reforms, the simulations suggest that a convergence of policy settings among the G20 countries could raise productivity and employment, depending on initial conditions (**Box 2**). Because they are stylised, the main objective of the reforms considered in the simulations is to gauge the benefits of collective action within the G20. Hence, in some cases, specific policy initiatives may go beyond or less far than those priorities identified by G20 countries in their national policy templates.

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4. See D. Sutherland and R. Price (2007), "Linkages between Performance and Institutions in the Primary and Secondary Education Sector", *OECD Economics Department Working Papers*, No. 558 (OECD, Paris) and I. Joumard *et al.* (2010), "Health Care Systems: Efficiency and Institutions", *OECD Economics Department Working Papers*, No. 769 (OECD, Paris) for more information and empirical evidence.

5. See M. Leahy *et al.* (2001), "Contribution of Financial Systems to Growth in OECD Countries", *OECD Economics Department Working Papers*, No. 280 (OECD, Paris) for more information and empirical evidence.

Box 2. Quantifying the effects of policy reform on potential growth[1]

The OECD has implemented a number of policy simulations to gauge the effect of structural reforms on GDP per capita through their impact on labour productivity and employment. The simulations build on the empirical analysis carried out in support of the Organisation's regular surveillance of structural policies and focus on the effects of a convergence of policy settings among G20 countries on economic outcomes. The results of the quantification exercise have been shared with the International Monetary Fund and used in the IMF's simulation of the growth effects of different policy scenarios. In particular, these scenarios include both the policy measures currently identified by G20 countries in their national policy templates and further possible growth-enhancing structural reforms, with the latter accounting for the bulk of the economic impacts discussed below.[2] Assuming that reforms are implemented gradually over a 10-year horizon:

- **The productivity gains associated with pro-competition reform in product and labour markets can be large**. The policy simulations suggest that reform initiatives to remove restrictions in product market regulations to the level of the least restrictive countries within the G20 could raise labour productivity by as much as 6% among G20 countries on average after 10 years of implementation of reforms (**Table 3**). By the same token, a convergence of employment protection regulations towards those of the countries with the least onerous provisions for regular contracts could raise labour productivity by some 0.6% on average among G20 countries.

- **As for employment-friendly policies**, **the simulations suggest that there is much gain in alleviating the tax burden on labour income**. For example, an alignment of labour tax wedges among the advanced countries of the G20 to the level of those countries with the highest employment rates could raise employment rates in the reforming countries by close to 3.5 percentage points on average in the long term. The simulations also show that employment rates could be raised by reforming unemployment insurance (reducing the replacement rate of unemployment benefits), raising spending on active labour market policies for the unemployed and reforming pension entitlements by raising the standard retirement age and moving pension systems to actuarial balance.

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1. The policy scenarios carried out by the International Monetary Fund focus on the incremental gains from additional structural reform beyond what is credited to G20 baseline policies (*G20 Mutual Assessment Process—IMF Staff Assessment of G20 Policies*, International Monetary Fund, Washington, D.C., October 2010). Instead, the OECD simulations examine the full gains. In any case, both analyses draw from the same set of OECD estimates of the effectiveness of reform.

2. There is a body of empirical evidence of the effects of structural reform on economic performance in OECD countries, including the OECD Growth Study of 2003, the OECD Jobs Strategy of 1994 and its reappraisal in 2006.

Box 2. Quantifying the effects of policy reform on potential growth (continued)

Table 3. Policy simulations: Effects of stylised reforms on labour productivity and employment

Policy	Measure	Sample	Simulated cumulative effect[1] on:				
			Employment rate (percentage points)		Labour productivity level (in per cent)		Steady-state employment rate (percentage points)
			After 5 years	After 10 years	After 5 years	After 10 years	After 10 years
Product market regulations[2]	Adoption of best-practice regulations in 2010, defined in each upstream sector as the average of the three lowest levels of regulation observed in 2007 over 5 years	All G20 countries except Argentina and Saudi Arabia			1.97	5.96	
Employment protection legislation	Degree of stringency of EPL for regular employment converges to the average of the three least restrictive countries in the OECD area (United Kingdom, United States, Switzerland) over 2011-2015	All G20 countries except Argentina, Saudi Arabia, United Kingdom and United States			0.16	0.57	
Labour tax wedge	Convergence to the level of the 6 OECD countries with the highest employment rate (mainly Northern European countries) over 2013-2017	France, Germany, Italy, Turkey, United Kingdom, EU	0.45	1.43			3.45
Unemploy-ment benefit replacement rate (ARR)	Convergence to the level of the 6 OECD countries with low ARR and low ALMP spending (mainly English-speaking countries) over 2011-2015	France, Germany, Italy, EU	0.17	0.53			1.27
Government spending on active labour market policies (ALMP)	Convergence to the level of the 6 OECD countries with high ARR and high ALMP spending (mainly Northern European countries) in 2011	France, Germany, Italy, South Korea, EU	0.10	0.22			0.40
Pension reform	Move to actuarial neutrality (implicit tax rate set to zero) in 2011 and increase in standard retirement age over 2011-2015	Australia, Canada, Germany, France, United Kingdom, Italy, Japan, South Korea, Turkey, United States, EU	0.14	0.40			0.61

1. The effects of reforms at the G20 level are simple averages of the individual country effects for those countries listed in the sample (including the European Union in the case of simulations involving product market regulations). The effects of the reforms at the European Union level are computed as weighted averages of the effects for the European countries that are members of the OECD. The policy simulations assume that reforms are implemented over a 10-year period. Larger gains could be reaped at the 5- and 10-year horizons if reforms were implemented at a faster pace than assumed in the policy scenarios.
2. The estimated effect of the product market regulation (PMR) reform on total factor productivity is a lower-bound estimate. It takes into account the impact of reform on capital accumulation. For Brazil, China, India, Indonesia, Russian federation, and South Africa, estimates are derived from an extrapolation of the relationship between PMR and total factor productivty gains from R. Bourlès *et al.* (2010), "Do Product Market Regulations in Upstream Sectors Curb Productivity Growth? Panel Data Evidence for OECD Countries", *OECD Economics Department Working Paper*, No. 791 (OECD, Paris).

Source: OECD simulations.

The time it takes to reach the steady state differs across policy areas. Empirical analysis carried out by the OECD shows that labour market and tax reforms work relatively fast, especially for reforms affecting hours worked. By contrast, productivity-enhancing reforms converge towards steady-state productivity levels at a slower pace. Although human capital reforms have a strong steady state effect on GDP per capita, these reforms take a long time – around 50 years – to become effective for all cohorts and even longer to have their full effects on GDP per capita. The profile of adjustment also differs across countries depending on their demographic structure. The effects of reform are felt sooner for countries with large young cohorts relative to older cohorts, although the full effects take up to 50 years to materialise.[6]

Reforms may also have short-term adjustment costs. For example, pro-competition reform in product markets could lead to enterprise closures and job losses in less efficient sectors. But such reforms also promote investment and job creation in dynamic sectors. The net short-term effect of reform therefore depends on the sectoral composition of employment and economic activity. Compensatory measures, such as active labour market policies and labour training, may therefore be needed in the course of reform to shelter displaced workers from the hardships associated with job losses, while facilitating economic transition. In the long term, reforms will be more growth-enhancing the greater the ease with each labour and capital are reallocated from low- to high-productivity sectors and activities, which depends on country-specific conditions and institutional settings.

Monitoring progress in structural policy implementation

While considerable scope remains for improving economic efficiency and raising living standards through structural reform, many G20 countries have already taken steps to address the structural weaknesses identified in previous editions of *Going for Growth*. A review of implementation of policy priorities during 2005-09 shows that G20 countries have taken action to boost labour productivity by making product market regulations more pro-competition and encouraging human capital accumulation and innovation (**Figure 1**). Responsiveness is also high in policy initiatives to reduce disincentives to work and to make labour taxes more conducive to better labour utilisation. Implementation has sometimes resulted in the policy item being dropped from the list of *Going for Growth* priorities in subsequent reviews. This is especially the case of productivity-enhancing measures, which have been met with a response that was sufficient to drop the priority more frequently than labour utilisation-related measures.

Of course, follow-through of reform priorities depends on implementation capacity, which varies among countries. Capacity bottlenecks tend to be more prevalent in emerging-market economies and constrain the ability of policymakers in those countries to implement reform effectively and to reap the full benefits of specific policy initiatives. The need for addressing such constraints while, or prior to, implementing reforms should therefore not be underestimated. Through its regular monitoring of implementation of reform priorities, *Going for Growth* provides a mechanism for identifying implementation bottlenecks and strengthening policy accountability.

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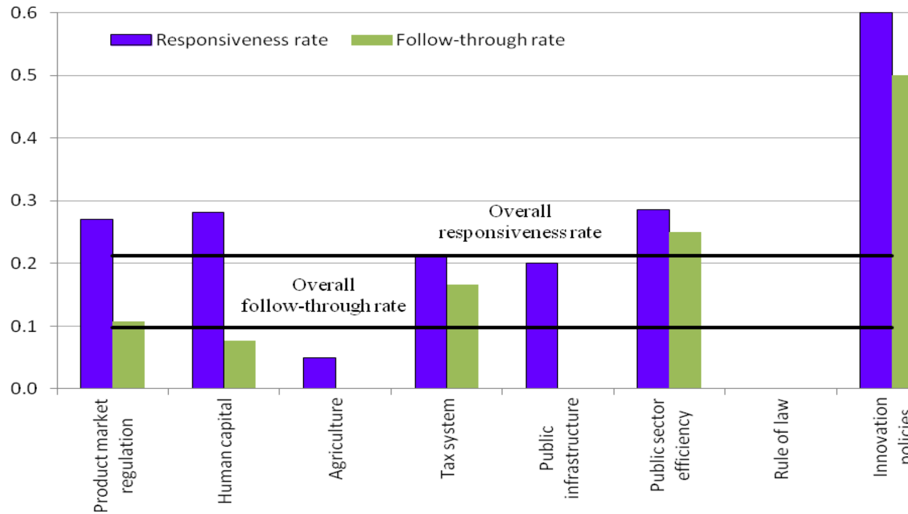
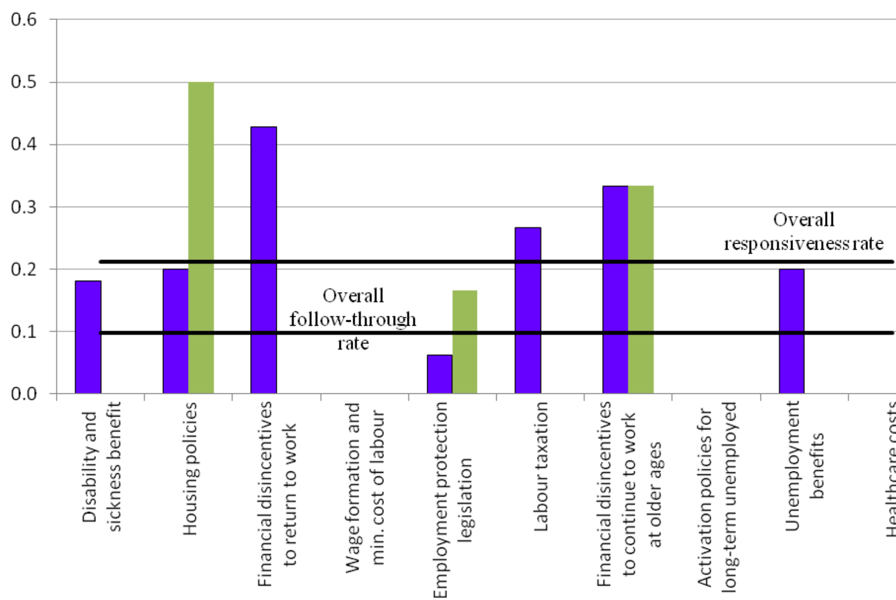
6. See L. de Mello and P.C. Padoan (2010), "Promoting Potential Growth: The Role of Structural Reform", *OECD Economics Department Working Papers*, No. 793 (OECD, Paris) for more information.

Figure 1. Responsiveness and follow-through of *Going for Growth* recommendations during 2005-09

A. Labour productivity enhancing measures



B. Labour utilisation-enhancing measures



1. The responsiveness rate is the ratio of the number of years in which some action is taken towards addressing the policy priority to the number of years in which some action could potentially be taken (excluding the year when the priority is set). The follow-through rate is the ratio of the number of priorities dropped following significant action during the previous two years to the number of two-year cycles including the policy priority.

Source: OECD *Going for Growth* database.

Policy commitments identified in the G20 national policy templates

G20 countries agreed at the Toronto Summit to take further structural policy actions that could "accelerate progress towards achieving stronger, more sustainable and balanced growth". Cognizant that additional policy requirements (the so-called "delta" policies) would be needed to achieve the *upside scenario* simulated by the International Monetary Fund (in cooperation with the OECD in the area of structural reform), G20 countries submitted additional information on their proposed measures to improve the collective consistency of G20 national policies, to help meet the G20's shared objectives and to reduce global vulnerabilities.

Taking into account the policy initiatives identified in the original pre-Toronto national policy template submissions and the post-Toronto "delta" policy commitments (Table 2) suggests that:[7]

- **A number of countries have identified policy initiatives to enhance productivity.** They include efforts to make product market regulations more pro-competition, to improve educational achievements and strengthen education systems, and to reform the structure of taxation. Countries have also committed to productivity-enhancing policy action by improving the efficiency of government operations, improving infrastructure and encouraging innovation.

- **National policy commitments also focus on initiatives to raise labour utilisation.** This is the case of reforms to unemployment insurance schemes and to reduce obstacles to labour mobility. Several countries, especially the emerging-market economies, have also set out to improve incentives for labour utilisation in the formal sector so as to tackle duality in the labour market.

Many of the structural policy objectives reported in the national policy templates feature highly among the pro-growth priorities identified in *Going for Growth* (Figure 2). Priorities may nevertheless differ, reflecting the emphasis placed in the national policy commitments on how to achieve the shared policy objectives of strong, sustainable and balanced growth while taking into account the global dimension of domestic policies adopted by G20 countries. The focus of priority setting in *Going for Growth* has traditionally been on the growth implications of structural reforms in individual countries. In particular:

- **There is somewhat greater emphasis in the national policy templates than in *Going for Growth* on options for strengthening financial regulation and for carrying out a broad range of reforms in financial sectors**. This reflects a decision to handle financial regulation outside the country-specific framework of *Going for Growth*, because this is a reform area that requires collective action by all G20 countries. Financial reforms are among the priorities reported in the national policy templates of all G20 countries, although implementation gaps remain, as identified in the International Monetary Fund's report. Commitments to improve the quality of infrastructure and to encourage innovation also feature more prominently among the priorities reported in the national policy templates than in *Going for Growth*, although many *Going for Growth* priorities, including pro-competition reforms in product markets, are also innovation-friendly. Most of G20 countries included initiatives in these areas among their policy commitments.

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[7] By contrast, the policy simulations presented by the International Monetary Fund take account of the post-Toronto "delta" policies only (*G20 Mutual Assessment Process—IMF Staff Assessment of G20 Policies*, International Monetary Fund, Washington, D.C., October 2010).

Table 2. Structural reform commitments based on the G20 national policy template submissions

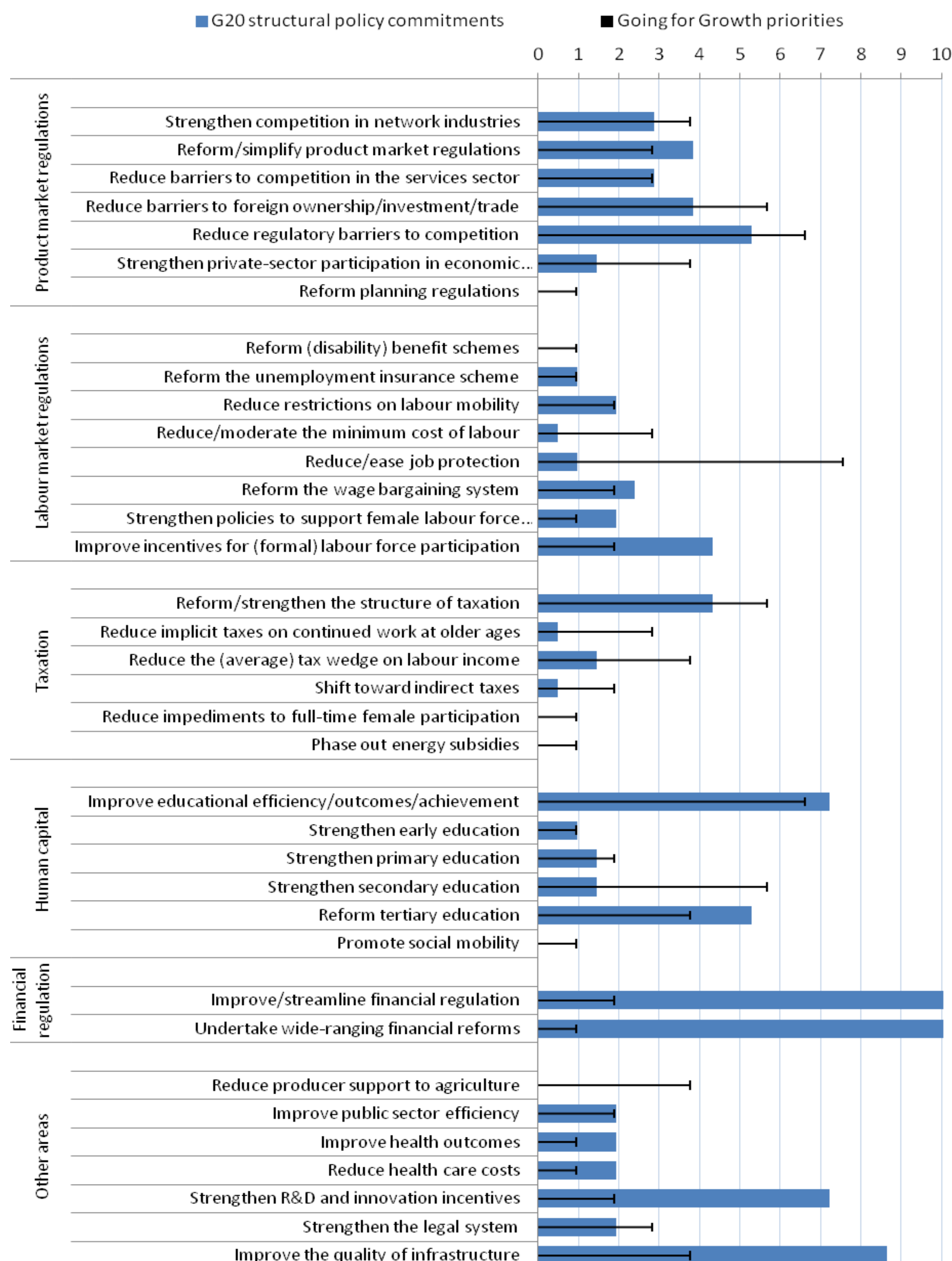
Policy domains and sub-domains	Policy priorities[1]
Product market regulations	
Strengthen competition in network industries	Australia, China, Germany, Mexico, South Africa, Turkey
Reform/simplify product market regulations	Australia, Brazil, Canada, India, Italy, Mexico, Spain, Turkey
Reduce barriers to competition in the services sector	Germany, European Union, France, Italy, Korea, Spain
Reduce barriers to foreign ownership/investment/trade	Argentina, Canada, China, European Union, France, Japan, Mexico, South Africa
Reduce regulatory barriers to competition	Australia, Brazil, China, Germany, European Union, France, Italy, Korea, Mexico, South Africa, Spain
Strengthen private-sector participation in economic activity	Korea, Mexico, Turkey
Labour market regulations	
Reform the unemployment insurance scheme	China, United Kingdom
Reduce restrictions on labour mobility	Canada, China, European Union, Russian Federation
Reduce/moderate the minimum cost of labour	Spain
Reduce/ease job protection	Germany, France
Reform the wage bargaining system	Italy, Korea, Mexico, South Africa, Spain
Strengthen policies to support female labour force participation	Italy, Japan, Korea, Turkey
Improve incentives for (formal) labour force participation	Argentina, European Union, India, Indonesia, Italy, Saudi Arabia, South Africa, Spain, United Kingdom
Taxation	
Reform/strengthen the structure of taxation	Australia, Brazil, Canada, China, India, Indonesia, Korea, Mexico, Russian Federation
Reduce implicit taxes on continued work at older ages	France
Reduce the (average) tax wedge on labour income	Brazil, Canada, Mexico
Shift toward indirect taxes	India
Human capital	
Improve educational efficiency/outcomes/achievement	Argentina, Australia, Brazil, Canada, China, Germany, European Union, India, Indonesia, Italy, Mexico, Saudi Arabia, South Africa, Spain, United States
Strengthen early education	Japan, United States
Strengthen primary education	India, Indonesia, United States
Strengthen secondary education	Indonesia, Italy, United States
Reform tertiary education	Australia, Brazil, Canada, France, Germany, Indonesia, Italy, Japan, Korea, Spain, United States
Financial regulation	
Improve/streamline financial regulation	Argentina, Australia, Brazil, Canada, China, Germany, European Union, France, India, Indonesia, Italy, Japan, Korea, Mexico, Russian Federation, Saudi Arabia, South Africa, Spain, Turkey, United Kingdom, United States
Undertake wide-ranging financial reforms	Argentina, Australia, Brazil, Canada, China, Germany, European Union, France, India, Indonesia, Italy, Japan, Korea, Mexico, Russian Federation, Saudi Arabia, South Africa, Spain, Turkey, United Kingdom, United States
Other areas	
Improve public sector efficiency	European Union, Indonesia, Italy, Spain
Improve health outcomes	India, Indonesia, Mexico, Turkey
Reduce health care costs	Australia, China, Spain, United States
Strengthen R&D and innovation incentives	Argentina, Australia, Brazil, Canada, China, European Union, France, Germany, Indonesia, Italy, Japan, Korea, Spain, Turkey, United States
Strengthen the legal system	Brazil, China, Mexico, Russian Federation
Improve infrastructure/quality	Argentina, Australia, Brazil, Canada, China, India, Indonesia, Italy, Japan, Korea, Mexico, Russian Federation, Saudi Arabia, South Africa, Spain, Turkey, United Kingdom, United States

1. Refers to the reform priorities identified in the G20 countries' pre- and post-Toronto national policy template submissions.

Source: OECD.

Figure 2. *Going for Growth* priorities and G20 structural policy commitments

Number of countries with a given policy priority/commitment divided by the total number of priorities/commitments, in per cent



1. There are 106 possible priorities in the case of *Going for Growth* (Table 1) and 208 commitments identified in the national policy templates (Table 2).

Source: OECD.

- **By contrast, on the basis of the information reported in the national policy templates, there appears to be somewhat less appetite among G20 countries for pursuing a number of priorities identified in *Going for Growth*.** This is the case of efforts to enhance labour productivity and utilisation by reforming employment protection legislation. Other priorities, including in the areas of reform of energy and producer subsidy in agriculture, are identified in *Going for Growth* but not in the national policy templates.

A coincidence of priorities identified in the national policy templates (pre-and post-Toronto submissions taken together) and through *Going for Growth* suggests that both exercises point to common directions for reform in a number of policy domains. It is therefore important to consider the implications of structural reform for the public finances and external current account balances. Recent OECD work has aimed to shed light on these effects.

3 How could structural reform contribute to fiscal consolidation?

While budget positions vary greatly within the G20, countries have reiterated their commitment to the fiscal consolidation targets established at the Toronto Summit, including at least to halve budget deficits by 2013 and to stabilise or reduce government debt-to-GDP ratios by 2016. This is important, because the global crisis has wreaked havoc in the government finances of several G20 countries. Budget deficits have risen to historical highs, especially in the advanced countries, due essentially to the impact on the budget of fiscal stimulus measures, cyclical revenue losses and expenditure hikes, and the disappearance of revenue buoyancy driven by asset price bubbles. As a result of large budget deficits, government indebtedness is set to reach all-time highs in several countries in the near term, which calls for ambitious consolidation to restore long-term fiscal sustainability.

Structural measures to enhance medium-term growth could also facilitate fiscal consolidation in some cases. In particular:

- **A number of employment-friendly reforms have a direct beneficial effect on fiscal positions** (**Table 3**). These reforms are identified as key *Going for Growth* priorities in a number of (mainly advanced) G20 countries and include a tightening of eligibility criteria for disability benefits, cuts in the level and/or duration of unemployment benefits, a phasing-out of early retirement schemes and an increase in statutory retirement ages.[8] Policy action in these areas would improve fiscal positions immediately by lowering government spending and more gradually by encouraging employment and raising tax receipts.[9]

- **Reforms that increase productivity would also have a direct effect on fiscal positions**. As mentioned above, there is much scope for enhancing the cost-effectiveness public spending, including in education and health care, in several G20 countries.[10] Efficiency gains in these areas – by producing the same amount of output by using fewer inputs – would contribute to fiscal consolidation while maintaining current levels of services. By the same token, certain pro-

8. Reform in this area is among the policy priorities identified in *Going for Growth* for the United Kingdom and Canada (Table 1).

9. Taking into account the synergies that exist between pro-growth structural reforms and underlying fiscal positions, OECD analysis shows that a 1% cut in structural unemployment through structural reforms would improve the fiscal position of OECD countries by 0.25 to 0.5 points of GDP on average. See *OECD Economic Outlook*, No. 88 (OECD, Paris), forthcoming, for more information.

10. Improvements in public sector efficiency and in education and health outcomes are among the policy priorities identified in *Going for Growth* for China, India, Indonesia, Mexico, Russian Federation, South Africa, Turkey, United Kingdom and United States (Table 1).

competition product market reforms, such as the removal of public subsidies (in the areas of agriculture, energy or housing), could also contribute to improving fiscal positions.[11] Moreover, many G20 countries would do well to raise revenue through the taxation of damaging economic activities, including broader-based pricing of carbon emissions, which would also contribute to fiscal consolidation while raising welfare.[12]

Table 3. Fiscal impact of various types of growth-enhancing structural reforms

A. Reforms that directly improve fiscal positions	
Productivity-enhancing reforms	Improve public spending efficiency, in particular in education and health care
	Strengthen private-sector participation in economic activity
	Reduce public subsidies (producer support to agriculture, energy subsidies)
	Reduce housing subsidies
	Implement taxes on negative externalities (such as pollution)
Employment-enhancing reforms	Remove disincentives to work by:
	Reforming disability, sickness and unemployment benefit schemes
	Phasing out early retirement schemes and/or increasing legal retirement age
	Phasing out short-time working schemes adopted during the crisis (to bring working hours back to normal)
B. Reforms that improve fiscal positions only indirectly	
Productivity-enhancing reforms	Relax product market regulation
	Ease entry restrictions in non-manufacturing sectors
	Reduce barriers to entrepreneurship
	Reduce barriers to trade and FDI
	Implement revenue-neutral changes in tax structure
	Increase the share of consumption and property taxes and reduce the share of corporate and labour income taxes
	Broaden the tax base and cut the tax rate
Employment-enhancing reforms	Increase labour market flexibility
	Relax and/or rebalance employment protection legislation
	Reform wage bargaining to enhance flexibility
	Reduce labour costs
	Relax product market regulation
C. Reforms that are likely to weaken fiscal positions at least in the short run	
Productivity-enhancing reforms	Increase public spending on innovation, education, infrastructure
	Reduce international trade barriers (tariffs)
Employment-enhancing reforms	Increase public spending on active labour market policies
	Reduce the tax wedge on labour income

Source: OECD.

11. A reduction of producer support to agriculture is among the policy priorities identified in *Going for Growth* for the European Union, Korea, Japan and United States (Table 1).

12. The potential fiscal revenues from pricing greenhouse gas emissions have been evaluated at 2.5% of GDP on average by 2020, if all industrialised countries were to use domestic carbon taxes or auctioned emission trading permits to reduce emissions in each of them by 20% relative to 1990 levels (A. de Serres *et al.*, 2010, “A Framework for Assessing Green Growth Policies”, *OECD Economics Department Working Papers*, No. 774, OECD, Paris).

Several G20 countries face immediate fiscal challenges that may in practice constrain their ability to implement longer-term growth-friendly structural reforms. Important policy trade-offs will therefore need to be taken into consideration to make sure that a "new balance" is reached to reconcile the objectives of delivering much-needed fiscal consolidation and laying the groundwork for stronger growth in the longer term. Countries with large consolidation needs may give priority to reforms that boost employment, which would in turn contribute to higher revenue, and reduce public spending at the same time. These countries would have less room to implement reforms that call for increases in productivity-enhancing government spending.

Other structural reforms would contribute to fiscal consolidation indirectly. For example:

- **Initiatives to make labour and product market regulations more pro-competition could have an indirect positive effect on fiscal positions by encouraging employment growth**. Greater flexibility in wage bargaining or reform to employment protection legislation to address labour market dualism could help to enhance labour utilisation and indirectly contribute to fiscal consolidation, as higher employment implies more taxes and less spending over the medium run.[13] A reduction in the tax burden on labour income would have the same effect to the extent that the corresponding revenue loss can be compensated by increases in other taxes.

- **Regulatory reforms that increase productivity would also indirectly improve the public finances**. Most product market reforms, which are priorities in most G20 countries on the basis of *Going for Growth*, are fiscally neutral in the short term. They are nevertheless likely to contribute to a reduction of fiscal deficits over the medium term by increasing tax revenue through productivity gains. In addition, by shifting the structure of taxation to less distortive taxes, such as those on consumption and property, and broadening tax bases, tax reform can contribute to fiscal consolidation indirectly through their medium-term effects on income, productivity and tax receipts.[14] In several countries, broadening tax bases would further enhance the efficiency of the tax system by enabling a reduction in tax rates and by cutting economic distortions and administrative compliance costs associated with tax expenditures. In other countries, especially emerging-market economies, efforts to improve tax administration would strengthen their revenue mobilisation capacity.

Fiscal consolidation should focus on instruments that minimise its adverse impact on trend growth. There are policy trade-offs that need to be taken into consideration in the choice of spending components and sources of taxation to achieve consolidation. Also, to the extent that the costs and benefits of different instruments differ across social groups, fiscal consolidation will have implications for income distribution and equity. In particular, where expenditure cuts are needed, pro-growth programmes should be preserved to the extent possible, including productive outlays, such as on education, R&D and infrastructure, which are expected to be growth-enhancing in the longer term. As for tax hikes, they should

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13. Reforms in these areas are among the policy priorities identified in *Going for Growth* for Brazil, China, European Union, France, Germany, India, Indonesia, Italy, Japan, Korea, South Africa and Turkey (Table 1).

14. For most OECD countries, recent empirical evidence points to significant impacts on productivity and investment from changes in tax structure involving lower personal and corporate income taxes offset by higher consumption and property taxes, as well as from tax-base broadening accompanied by lower marginal tax rates (A. Johansson *et al.*, 2008, "Taxation and Economic Growth", *OECD Economics Department Working Papers*, No. 620, OECD, Paris). Reform to strengthen the structure of taxation is among *Going for Growth* priorities for Australia, Brazil, Canada, Germany, Japan and United States, whereas a reduction in the tax wedge on labour income is recommended for Australia, Brazil, France and Germany (Table 1).

rely on the least growth-distorting instruments, such as taxes on immobile bases, including property and consumption.

4 How could structural reform contribute to a rebalancing of global growth?

At the Toronto Summit, G20 Leaders committed themselves to taking steps to increase domestic demand in surplus economies and private savings in advanced deficit economies. Having reached over 5% of world GDP in 2008, the combined current account surpluses and deficits of the world's major countries and economic areas almost halved in 2009. These imbalances are nevertheless widening again as the global recovery gathers pace. It is therefore important to remove through structural reform those distortions that contribute to a build-up of external imbalances. Structural reforms are likely to influence a country's external current account position by affecting both savings and investment behaviour. Reforms in this area have both demand- and supply-side effects, whose balance depends on the types of reforms implemented and the framework conditions prevailing in individual countries.[15] In particular:

- **Structural reforms aimed at boosting productivity growth and encouraging investment could lead to a deterioration of current account positions**. An increase in investment arising from productivity-enhancing measures may more than offset possible positive effects of reform on aggregate saving. In addition to an indirect effect through productivity gains, investment can also be raised through pro-competition reforms in product markets, which could therefore reduce the current account position of surplus countries.[16]

- **A strengthening of safety nets in surplus emerging-market economies may be desirable in its own right and would also contribute to lowering global imbalances**. Introducing and/or scaling up social welfare systems in emerging-market economies would help citizens cope with various eventualities and therefore, as a side effect, help reduce excess precautionary saving and thereby weaken current accounts.[17] By the same token, policies that would encourage private saving in deficit countries, such as the United States, by for example scrapping income tax deductibility for mortgage payments or shifting the personal income tax further to a consumption base, would have an influence on the current account.

- **Reforms that aim to improve the sustainability of public pension schemes may help to reduce saving in advanced surplus countries**. OECD estimates suggest that an increase in the statutory retirement age by one year could reduce total and private saving by around ½ percentage point of GDP in the medium to long run.

- **Reforms of employment protection legislation do not appear to have any clear-cut side effects on saving behaviour**. But relaxing job protection seems to weaken current accounts

15. See M. Kennedy and T. Sløk (2005), "Structural Policy Reforms and External Imbalances", *OECD Economics Department Working Papers*, No. 415 (OECD, Paris) for more information and empirical evidence.

16. Empirical evidence for OECD countries shows that aligning the level of product market regulation in Japan and Germany – where reform is identified in *Going for Growth* as a priority in this area – with OECD best practice could raise private investment in these countries by 0.6 and 0.7 percentage points of GDP in the short term, respectively (*OECD Economic Outlook*, No. 87, OECD, Paris, 2010).

17. According to recent OECD estimates, increases in social spending on health care by one percentage point of GDP in OECD countries could on average reduce private saving by about 1.5% of GDP. The effect appears to be especially strong under low initial levels of social spending: the point estimates for China implies that the effect could amount to 2.5 per cent of GDP, although there is wide uncertainty around this point estimate (OECD, 2010, *Economic Survey of China*, OECD, Paris).

through a decline in investment, possibly because firms substitute labour for capital as labour markets become more flexible. Reform in this area is among *Going for Growth* priorities for a number of G20 countries.

- **Financial market reform could lead to a deterioration of external positions.** Financial market liberalisation, especially in emerging-market economies, where it often implies curbing financial repression, should help to relax borrowing constraints for households and firms and, in turn, reduce saving. At the same time, reform to improve enforcement and transparency of legal and regulatory frameworks for financial systems could have a positive effect on innovation and investment in new enterprises. The attendant increase in investment capital inflows may lead to a deterioration of the current account balance. Reform in this area is among the policy priorities identified in *Going for Growth* for a few G20 countries.

- **Other structural reforms may have an effect on the current account**. Initiatives to reduce oil consumption could lower the current account deficit in oil-importing countries, although the final impact depends on how such policies affect the fiscal deficit and consumption of other goods.

5. Moving forward: how can the OECD contribution to the G20 Framework be enhanced further?

The OECD has a broad work programme on the role of structural reforms in improving economic performance along the Framework's three dimensions (strong, sustainable and balanced growth). The policy lessons to be drawn from a number of ongoing and planned activities, as well as regular OECD surveillance of multilateral, structural and country-specific policies, could contribute to the pro-growth policy debate within the G20. In particular:

- **As for the growth dimension, policymakers would benefit from a better understanding of the short-run effects of structural reform on economic activity**. OECD analysis shows that particular reforms that have a large positive impact on income per capita in the long term may actually hurt activity in the short term. This is the case of some product market reforms that unleash opportunities for investment in dynamic sectors, while accelerating firm turnover and job losses in less productive sectors and activities. It is therefore important to ascertain how to best implement structural reform to minimise short-term adjustment costs, especially in situations of economic duress. Compensatory policies may be put in place, public finances permitting, to cushion the adverse effect on reform on vulnerable groups and to facilitate the reallocation of workers and capital to new uses.

- **The analysis of the effect of structural reform on economic performance can be broadened to include equity and income distribution considerations**. Such considerations can be considered within the sustainability dimension of the Framework. As an initial step towards improving our understanding of the effects of structural reform on equity and income distribution, the OECD has recently begun to work on the determinants of intergenerational social mobility, which promotes equal opportunity for individuals and enhances growth by putting all of society's human resources to their best use. The analysis shows that there is quite some room for enhancing mobility through education reform, including by increasing enrolment in early childhood education, avoiding early tracking of students and improving the social mix within schools. Further work in this area would benefit the G20 countries that have identified different aspects of social development as key policy priorities.

- **The institutional underpinnings of structural reform need to be taken into consideration**. OECD surveillance of country-specific policies is reported in the *OECD Economic Surveys*,

which complement the *Going for Growth* process for identifying structural policy challenges in individual countries, as noted in Box 1. Based on a regular peer review of country policies that is increasingly taking the external implications of domestic policies into account, country surveillance offers a wealth of information and analysis of specific conditions and policy settings, which are known to affect economic performance and the scope for reform in individual countries (**Annex 2**).[18] This modality of surveillance could contribute to the monitoring of implementation of policy priorities in G20 countries in a setting that fosters dialogue and confidence building among peers.

- **A better understanding of new sources of growth – which would have implications for growth along the Framework's three dimensions – provides important additional elements to policy debate among G20 countries**. The OECD's recently released *Innovation Strategy* assesses the drivers of innovation and the policies that can strengthen it. Analysis is being carried out on the links between innovation and economic performance, including the identification of emerging issues, such as approaches to making innovation-led growth more inclusive, and the role for policy in improving innovation performance in support of stronger growth.[19] Another area for planned further work is related to the development and benchmarking of innovation indicators, building on OECD contributions to the development of internationally comparable Science, Technology and Innovation statistics and indicators. The lessons learnt from country-specific (and regional, more recently) *Innovation Reviews* (**Annex 3**) would also help to advance the debate on the policy levers that can be used to foster innovation in G20 countries.

- **Growing concerns about the environmental impact of economic activity call for a greener model of growth**. The OECD's *Green Growth Strategy* is motivated by a growing recognition that without a substantial transformation of consumption behaviour, industry structures and technologies, the costs of inaction to the economy, to human health and welfare could be high. It is therefore important to strengthen the policy debate on growth sustainability through a better understanding of the current policy barriers for transitioning to greener economies, the key short- and longer-term measures that will lead to green growth and the challenges requiring international co-operation. The planned synthesis of lessons learnt and policy recommendations made in OECD policy surveillance could contribute to this process at the G20 level.

- **Measuring the progress of societies will continue to be one of the key priorities of the OECD over the next two years**. Focusing on people's well-being and societal progress will require looking not only at the functioning of the economy, but also at the diverse experiences and living conditions of people and households.[20] At the Pittsburgh Summit in June 2009, G20 Leaders asked for work on measurement methods in support of the G20 Framework. To this end, the OECD aims to develop a continuum of indicators that can be adapted to different levels of

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18. The OECD has published several *Economic Surveys* of emerging-market economies in the G20 membership in cooperation with these countries' authorities. *Economic Surveys* are available for Brazil (four editions since 2001); China (two editions since 2005); India (one edition published in 2007); Indonesia (two editions since 2008, including an initial *Economic Assessment*); Russian Federation, a candidate country for accession to the OECD (seven editions since 1995); and South Africa (two editions since 2008, including an initial *Economic Assessment*).

19. See *Proposed OECD Contribution to G20 on Innovation* (OECD, Paris), August 2010, for more information.

20. OECD work on measuring the progress of societies has led to the launch of the Global Project on Measuring the Progress of Societies, which is hosted by the OECD.

development and explore the possibility of developing indicators measuring the degree of trust, confidence and sense of ownership of initiatives intended to raise their living standards.

ANNEX 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

Country		Policy priority	Policy target	Policy sub-domain
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*, scheduled for publication in March 2011.

Source: OECD *Going for Growth* database.

ANNEX 2. FORTHCOMING ECONOMIC SURVEYS

Country/region	Review date
Australia	October 2010
Spain	October 2010
Euro Area	October 2010
Slovak Republic	November 2010
Sweden	November 2010
Slovenia	December 2010
Estonia	December 2010
Italy	January 2011
France	January 2011
United Kingdom	February 2011
Mexico	February 2011
Japan	March 2011
New Zealand	March 2011
India	April 2011
Iceland	April 2011
Belgium	May 2011
Austria	May 2011
Brazil	September 2011
Ireland	September 2011
Czech Republic	October 2011
Russian Federation	October 2011
Switzerland	October 2011
Israel	November 2011
Germany	November 2011
Denmark	November 2011
Hungary	December 2011
Chile	December 2011
European Union	2011
Greece	2011
Norway	January 2012
Poland	February 2012
Korea	March 2012
South Africa	April 2012
Canada	May 2012

Source: OECD.

ANNEX 3. FORTHCOMING INNOVATION REVIEWS

Country/region	Estimated date of publication
Russian Federation	1st semester 2011
Peru	Mid 2011
Slovenia	Mid 2011
Turkey	2012
Vietnam	2012
Brazil	2012
Indonesia	2012
Review of Innovation in Southeast Asia	1st semester 2011

Source: OECD.