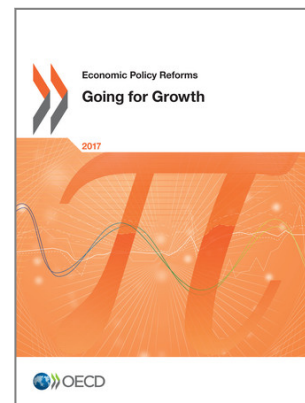


OECD *Multilingual Summaries* Economic Policy Reforms 2017 Going for Growth

Summary in English



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Governments cannot afford to let up on reform if they want to escape the low-growth trap many of them are facing and to ensure that the gains of economic growth benefit the vast majority of citizens. Over the past two years, global growth has remained flat at around 3%, well below the average growth rate of nearly 4% over the previous 10 years. The slowdown in the People's Republic of China and other emerging-market economies accounts for much of the difference, but growth rates of 2% or less have been the norm on average across OECD countries during post-crisis years, with the prospect of persistently weak demand and investment dragging down potential growth.

In their quest for healthier growth, governments face major policy challenges. The sharp and widespread decline in productivity growth since the crisis has meant stagnating incomes for a large share of the population, eroding popular support for structural reform. Even though overall unemployment has been gradually receding in a majority of countries, youth and low-skilled workers in several of them face poor job prospects and high risk of frequent joblessness. Overcoming these challenges requires coherent structural reform strategies and collective action across a broad range of policy areas, with the support of macroeconomic policies.

Going for Growth builds on OECD expertise on structural policy reforms and economic performance to provide policy makers with a set of concrete recommendations on reform areas identified as priorities for strong and inclusive growth. The priorities broadly cover product and labour market regulation, education and training, tax and transfer systems, trade and investment rules, as well as innovation policies. The Going for Growth framework has been instrumental in helping G20 countries make progress on their structural reform agenda, including through monitoring their growth strategies to achieve sustained and balanced growth.

This report reviews progress in structural reforms in areas related to Going for Growth policy recommendations over the period 2015-16. Against this backdrop, it identifies for OECD and selected non-OECD countries new priority areas where structural reforms are needed to lift real income and to ensure that the gains benefit the vast majority of citizens (Chapter 1). To do so, the framework for selecting policy priorities considers for the first time inclusiveness as a prime objective, alongside productivity and employment, the prime drivers of average income growth. For this purpose, a broad definition of inclusiveness is taken, encompassing dimensions such as inequality and poverty, job quantity and job quality, along with labour market inclusion of vulnerable groups, gender gaps and equity in education, and health outcomes. The report provides a comprehensive assessment of policy challenges related to inclusiveness and potential remedies reflected in the Going for Growth reform priorities (Chapter 2). Country-specific priorities and underlying recommendations are laid out in individual country notes (Chapter 3).

Progress on structural reform since 2015

The pace of structural reforms has continued to slow over the past two years, and is now back to the pre-crisis level. This overall deceleration masks significant differences across countries.

- Reform has slowed in countries which had been particularly active reformers in the previous two-year period, (e.g. Mexico, Greece, Ireland, Portugal, Poland and Spain), but also in a number

of others where reform activity had not been so intense in the earlier period (e.g. Australia, Indonesia and Slovenia).

- Reform intensity has increased noticeably in some countries which had not been among the most active reformers in the earlier period (e.g. Belgium, Chile, Colombia, Israel, Italy and Sweden, as well as in Austria, Brazil and France).

The pace of reform has slowed more markedly in policy areas with a particularly strong influence on labour productivity, such as education and innovation. This is a concern in light of the persistent and widespread decline in productivity growth.

On the positive side, the number of reforms related to Going for Growth recommendations has risen with respect to objectives such as reducing barriers to women working and fostering job creation through lower labour tax wedges, in particular for low-wage workers. These are areas where pro-growth reforms also promote greater inclusiveness.

Governments have generally tended to concentrate reform efforts in specific policy areas, with the risk of missing potential gains from policy synergies and reform complementarities. Improved packaging of reforms would make them easier to implement, maximise their impact on growth and job creation, and help reduce income inequality.

New reform priorities for inclusive growth

Given the importance of productivity gains for long-term living standards and the magnitude of the challenge for a majority of countries, more reform priorities are identified to boost output per worker and to ensure that the gains are widely shared across the population. Measures in the areas of education, product market competition and public investment are emphasised more strongly relative to the previous Going for Growth.

In particular, facilitating the entry and growth of innovative firms, promoting more equal access to high-quality education, as well as the inclusion of women and migrants in the labour market, boosting investment in infrastructure and improving the training of workers and activation policies, are all part of the most common policy challenges identified to achieve stronger and more inclusive growth.

There can be strong synergies between the pursuit of productivity and employment growth on the one hand, and inclusiveness on the other. In fact, if properly and comprehensively implemented, nearly half of the policy priorities put forward in this report would lead to higher and more widely shared income gains.

In seeking to make growth more inclusive, governments should focus on ensuring broad access to quality education and upskilling, on lifting the quantity and the quality of jobs, and on enhancing the effectiveness of tax and transfer systems in reducing income inequality and poverty.

- In the case of education, priorities include addressing the needs of young people from pre-school to university so that they get the best start and the support they require throughout their education. The focus is on enhancing equality of opportunities and securing adaptability of the workforce to changing demand for skills.
- Creating more and better jobs requires tackling labour market duality and segmentation, including informality in the case of emerging economies.
- Many countries have scope for designing social transfers to protect individuals and families who need it most while ensuring that work pays for those at the low-end of the income distribution, as well as limiting tax breaks and allowances that disproportionately benefit high-income households.

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