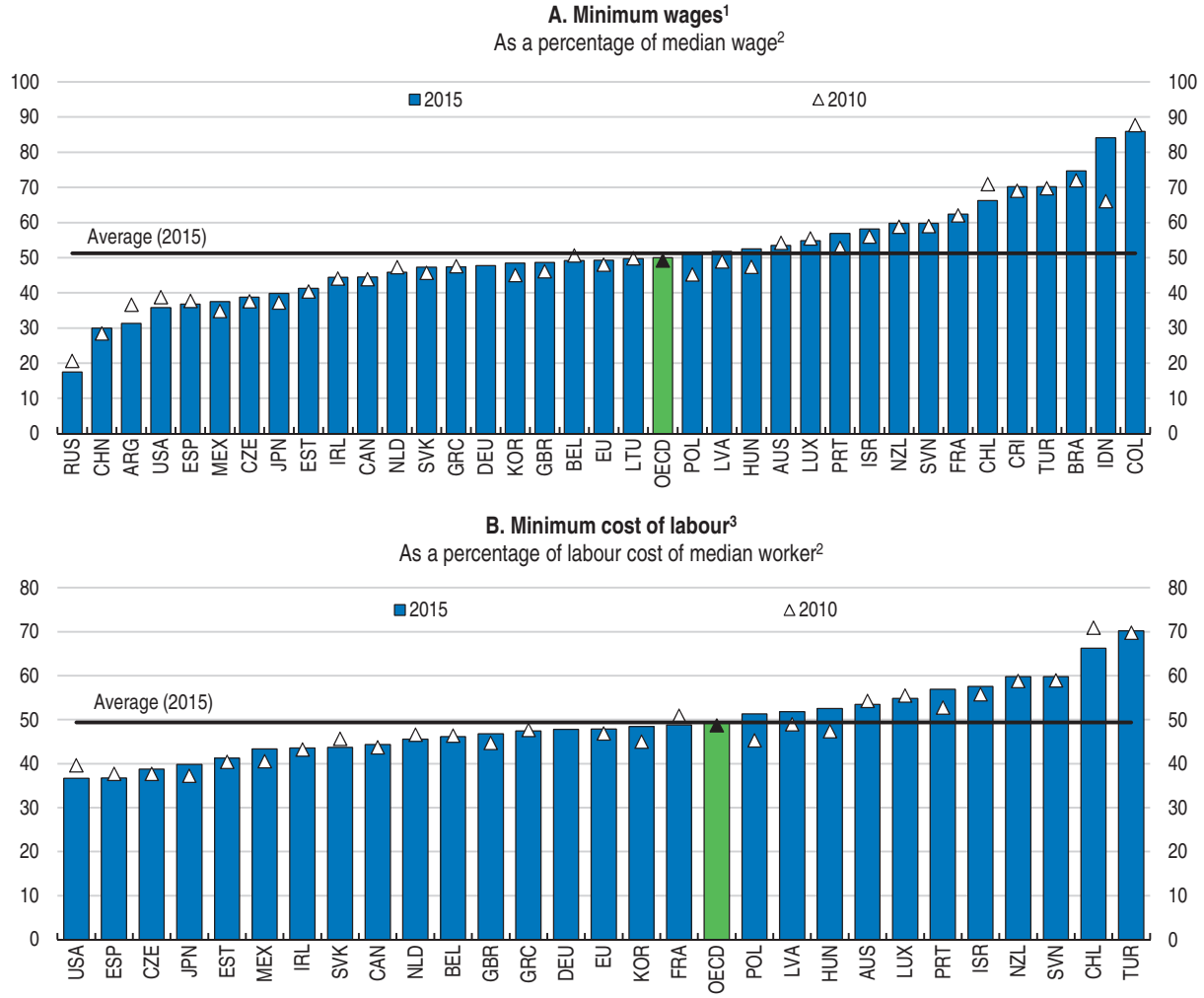
Chapter 4

Structural policy indicators

This chapter contains a comprehensive set of quantitative indicators that allow for a comparison of policy settings across countries (both OECD and selected non-OECD as per data availability). The indicators cover areas of tax and transfer systems and how they affect work incentives, as well as product and labour market regulations, education and training, trade and investment rules and innovation policies. The indicators are presented in the form of figures showing for all countries the most recent available observation and the change relative to the previous observation. In addition to individual country scores, most figures show the average result across all countries (horizontal line), as well as across OECD countries and the European Union countries.

Figure 4.1. **Cost of labour**



1. Missing countries do not have a national statutory minimum wage.
2. Exactly half of all workers have wages either below or above the median wage for the OECD countries. Percentage of minimum to average wage for Argentina, China, Indonesia and the Russian Federation.
3. The cost of labour is the sum of the wage level and the corresponding social security contribution paid by employers.

Source: Panel A: OECD, *OECD Employment Outlook Database*; China Ministry of Human Resources and Social Security, National Bureau of Statistics; Instituto Brasileiro de Geografia e Estatística (Pesquisa Nacional por Amostra de Domicílios); International Labour Organisation (ILO) *Database on Conditions of Work and Employment Laws*; Ministry of Man Power and Transmigration of the Republic of Indonesia and Statistics Indonesia (BPS); Russia Federal State Statistics Service; National Institute of Statistics and Census of Argentina; Panel B: OECD calculations based on *Employment Outlook* and *Taxing Wages Databases*.

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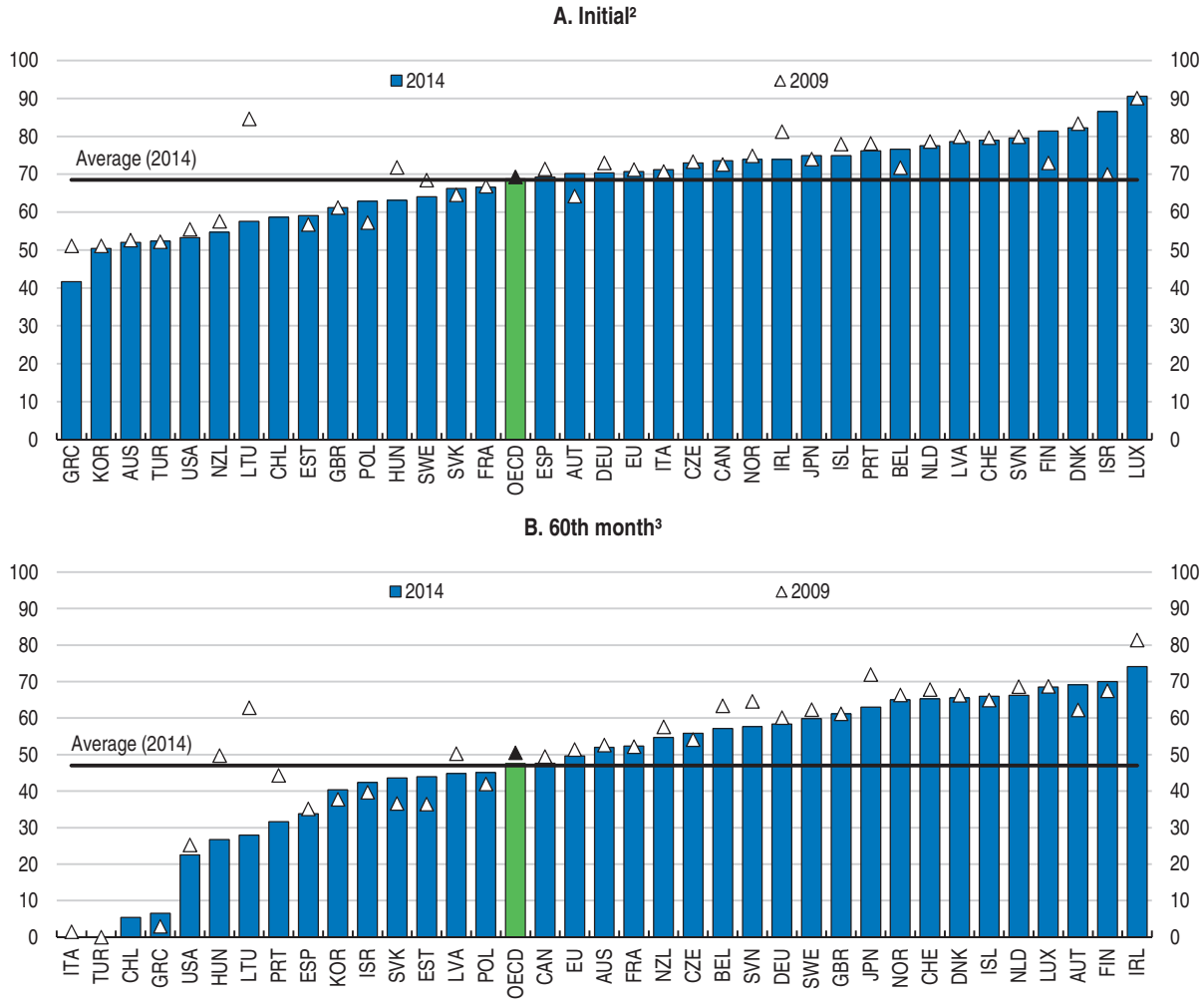
Figure 4.2. **Net income replacement rates for unemployment**

Net income when unemployed as a percentage of net income when working[1]



1. Simple average of the net replacement rates for the following households situations: single with no child and with two children at 67% and 100% AW, one-earner married couple with no child and with two children at 67% AW and 100% AW. After tax and including unemployment and family benefits. Social assistance and other means-tested benefits are assumed to be available subject to relevant income conditions. Housing costs are assumed equal to 20% of AW. For Turkey, the average worker earnings (AW) value is not available. Calculations are based on average production worker earnings (APW).
2. Initial phase of unemployment but following any waiting period. Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values (i.e. monthly values multiplied by 12) even if the maximum benefit duration is shorter than 12 months.
3. After tax and including unemployment benefits, social assistance, family and housing benefits in the 60th month of benefit receipt. Values for Turkey are equal to zero in 2009 and 2014 and for Italy in 2014.

Source: OECD, *Tax-Benefit Models*.

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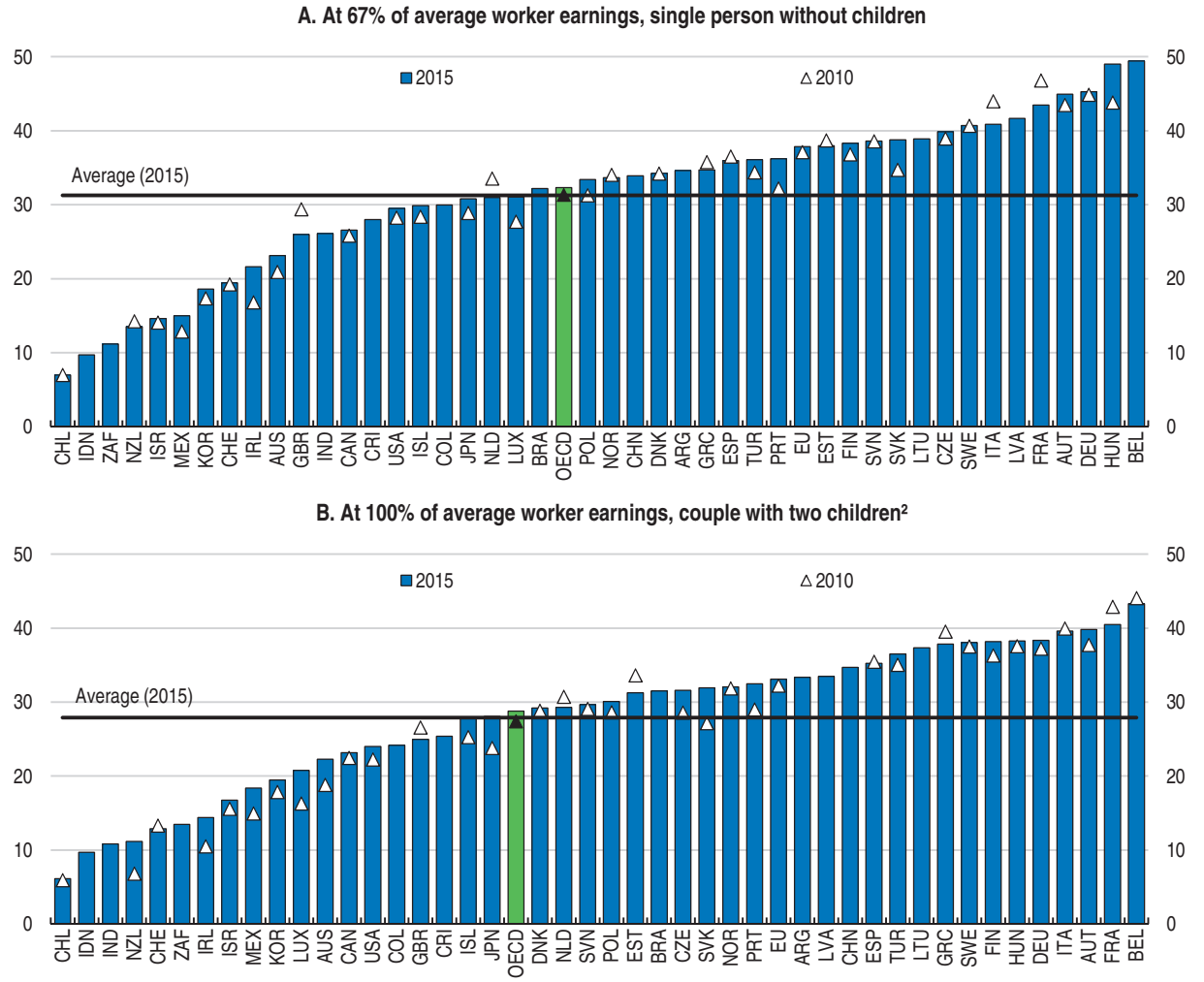
Figure 4.3. **Average tax wedge on labour**[1]

As a percentage of total labour compensation



1. Measured as the difference between total labour compensation paid by the employer and the net take-home pay of employees, as a ratio of total labour compensation. It therefore includes both employer and employee social security contributions. For India, the data cover manufacturing companies with 20 or more employees (which represent 5% of all companies in the sector); liability to health insurance and Employee Provident Fund contributions in India are restricted to employees in firms that have 20 or more employees. In China, a significant portion of workers are not covered by the social security system; hence their tax wedge is significantly lower than the figure reported here, which reflects the situation of workers covered. OECD data are not directly comparable with data for Argentina, Colombia and Costa Rica as they do not include social security contributions paid to privately managed funds which are not classified as taxes in the OECD methodology. The last available year is 2013 for Argentina, Colombia and Costa Rica; 2014 for Lithuania.
2. Couple with two children, at 100% of average worker earnings for the first earner. Average of three situations regarding the wage of the second earner (0%, 33% and 67% of average worker earnings).

Source: OECD, *Taxing Wages Database*; For BIICS countries, data represent the latest figures based on the methodology described in: Gandullia, L., N. Iacobone and A. Thomas (2012), "Modelling the tax burden on labour income in Brazil, China, India, Indonesia and South Africa", *OECD Taxation Working Papers*, No. 14; For Latvia, data are based on the methodology described in *Taxing Wages*; For Lithuania, data are from OECD *Tax-Benefit models*; OECD/IDB/CIAT (2016), *Taxing Wages in Latin America and the Caribbean 2016*. For Latvia, data are from European Commission (2017), *Tax and benefits indicators Database*.

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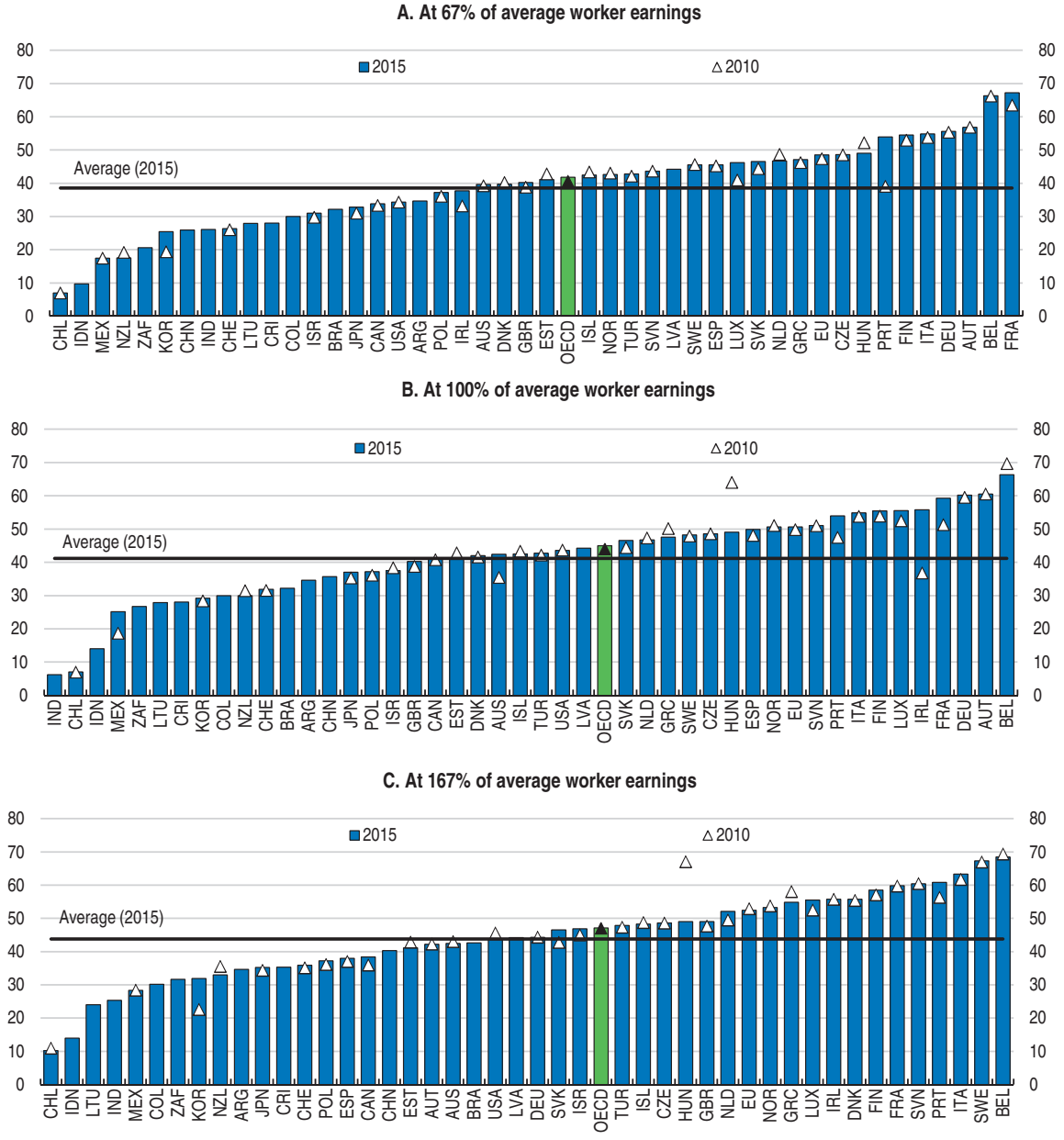
Figure 4.4. **Marginal tax wedge on labour**[1]

As a percentage of total labour compensation for single persons without children



1. Measured as the difference between the change in total labour compensation paid by employers and the change in the net take-home pay of employees, as a result of an extra unit of national currency of labour income. The difference is expressed as a percentage of the change in total labour compensation. For India, the data cover manufacturing companies with 20 or more employees (which represent 5% of all companies in the sector); liability to health insurance and Employee Provident Fund contributions in India are restricted to employees in firms that have 20 or more employees. In China, a significant portion of workers are not covered by the social security system; hence their tax wedge is significantly lower than the figure reported here, which reflects the situation of workers covered. OECD data are not directly comparable with data for Argentina, Colombia and Costa Rica as they do not include social security contributions paid to privately managed funds which are not classified as taxes in the OECD methodology. The last available year is 2013 for Argentina, Colombia and Costa Rica; 2014 for Lithuania.

Source: OECD, *Taxing Wages Database*; For BIICS countries, data represent the latest figures based on the methodology described in: Gandullia, L., N. Iacobone and A. Thomas (2012), "Modelling the tax burden on labour income in Brazil, China, India, Indonesia and South Africa", *OECD Taxation Working Papers*, No. 14; For Latvia, data are based on the methodology described in *Taxing Wages*; For Lithuania, data are from OECD *Tax-Benefit models*; OECD/IDB/CIAT (2016), *Taxing Wages in Latin America and the Caribbean 2016*. For Latvia, data are from European Commission (2017), *Tax and benefits indicators Database*.

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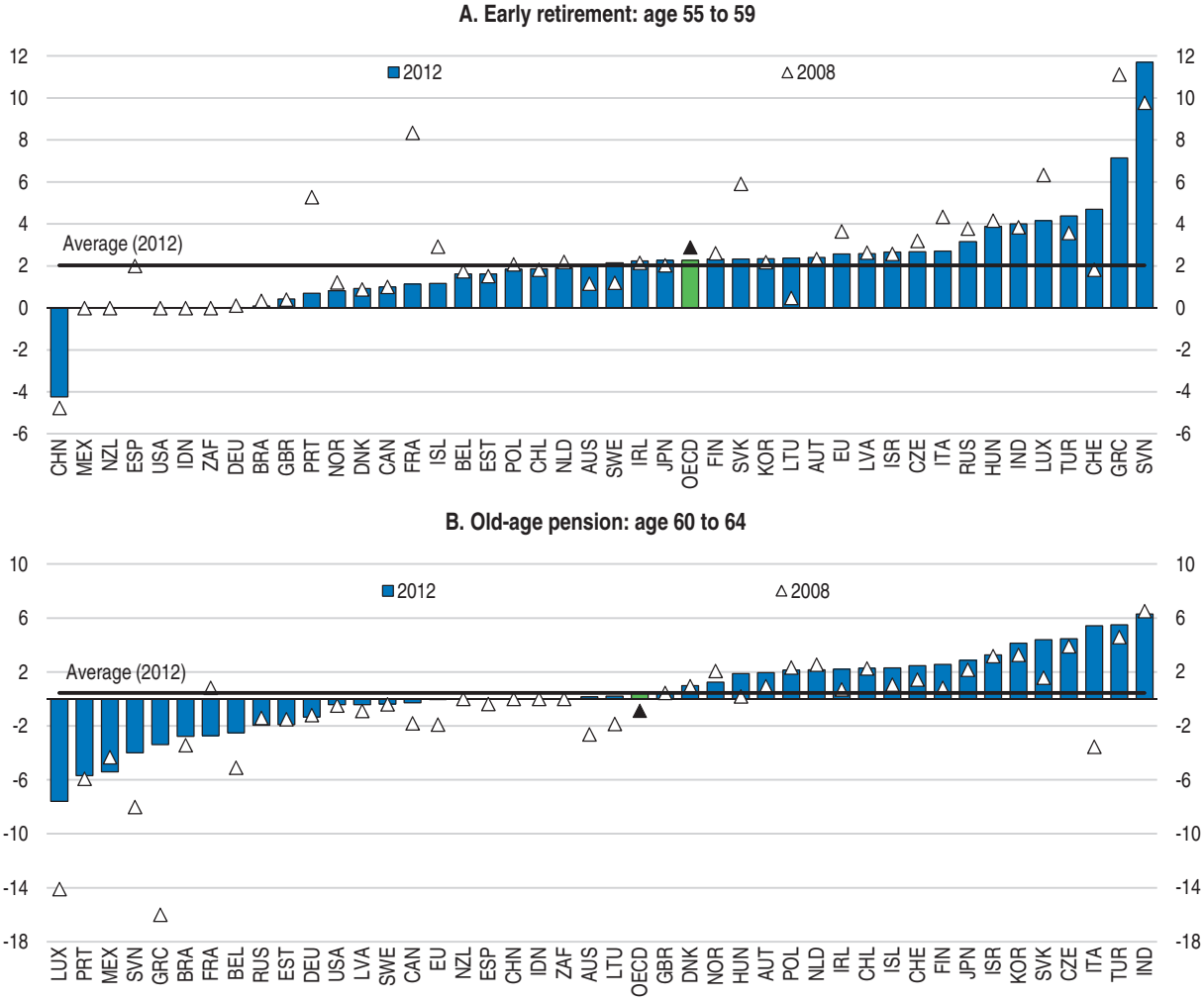
Figure 4.5. **Changes in net pension wealth**[1]

As a percentage of gross annual individual earnings



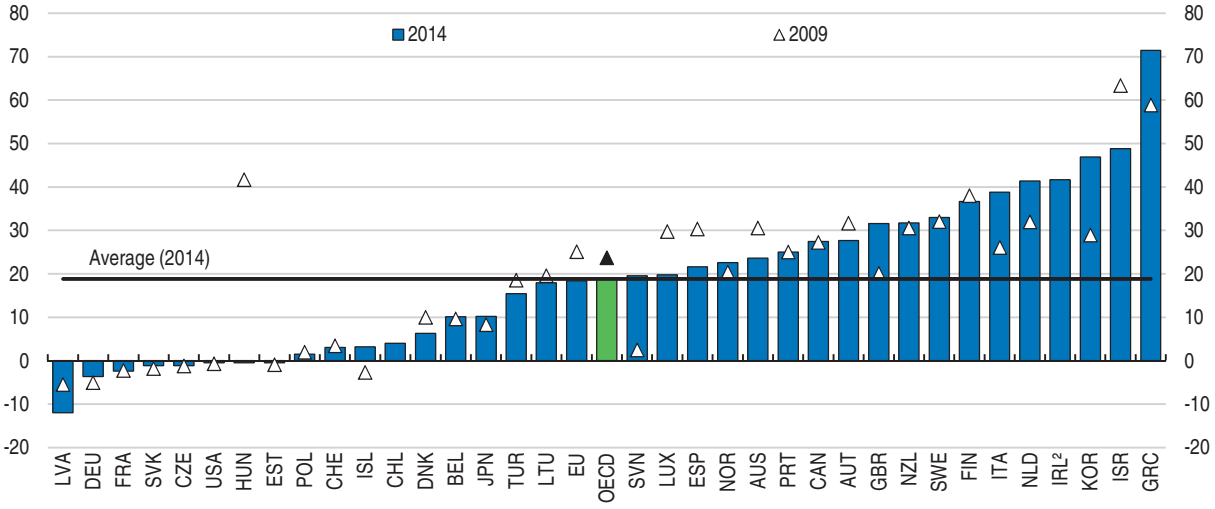
1. The change in pension wealth is a measure of the incentive to remain in the workforce for an additional period. It measures the increase in the level of pension entitlement one gains by remaining in employment for an additional year. The calculation is the annual average increase in males' pension wealth when working from age 55 to 59 (early retirement) and from age 60 to 64 (old-age pension). Net pension wealth is the present value of the flow of pension benefits, taking account of the taxes and social security contributions that retirees have to pay on their pensions. It is measured and expressed as a multiple of gross annual individual earnings in the respective country. See OECD (2013), *Pensions at a Glance 2013: OECD and G20 Indicators* for additional details.

Source: OECD, *Pension Models*.

StatLink http://dx.doi.org/10.1787/888933456320

Figure 4.6. **Difference in net transfers to government: single and equal dual-earner couples**[1]

Percentage points



1. Measured as the difference in net transfers (taxes paid minus benefits received) to government between two household cases: (1) "Single-earner couples" – with one earner with 133% of average earnings and (2) "Equal dual-earner couples"- both spouses earn the same either average earnings or 67% of average earnings. The difference is in percentage points and computed as [(1)-(2)]/(1).
2. The value for 2009 is not reported as it is highly distorted due to the fact that the net transfers to government from single-earner couples are close to zero.

Source: OECD, *Tax-Benefit Models*.

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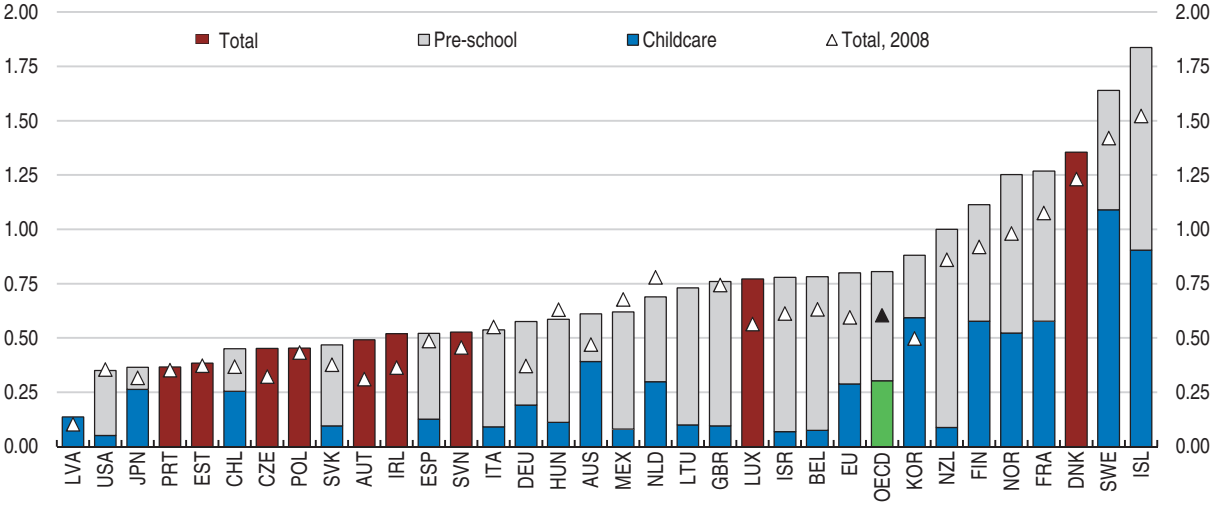
Figure 4.7. **Public expenditure on childcare and early education services**[1]

As a percentage of GDP, 2013



1. Childcare expenditure covers children under three enrolled in childcare and children between the ages of three and five enrolled in pre-school. Childcare refers to formal day-care services, such as day-care centres and family day-care. Pre-school includes kindergartens and day-care centres which usually provide an educational content as well as traditional care for children (ISCED 0 under UNESCO's classification system). Local government spending may not be properly captured in the data for federal countries. For Austria, Czech Republic, Denmark, Estonia, Ireland, Luxembourg, Slovenia, Poland and Portugal, the data cannot be disaggregated by educational level.

Source: OECD, *Family and Social Expenditure Databases*.

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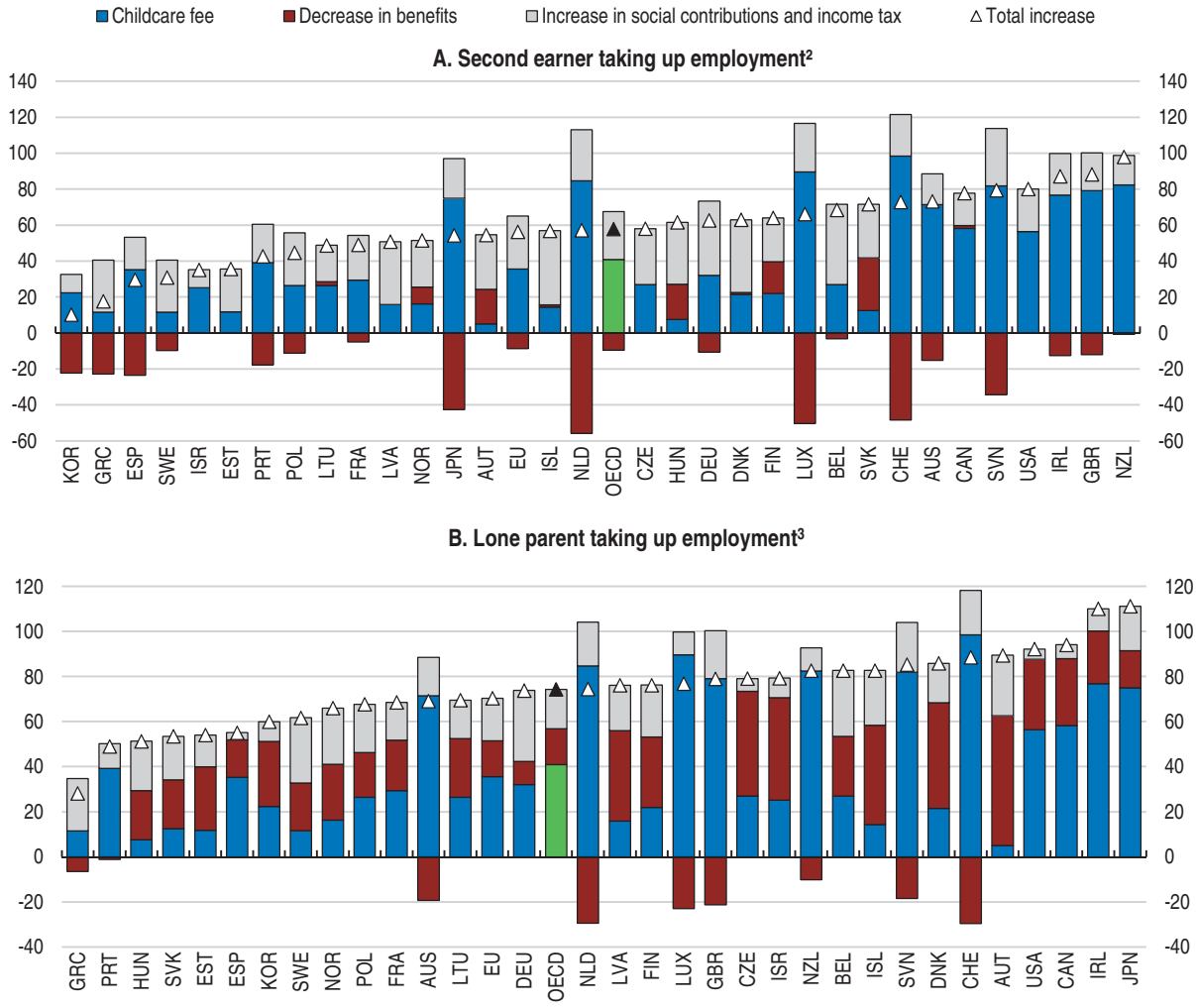
Figure 4.8. **Implicit tax on returning to work**[1]

As a percentage of gross earnings in new job, 2012



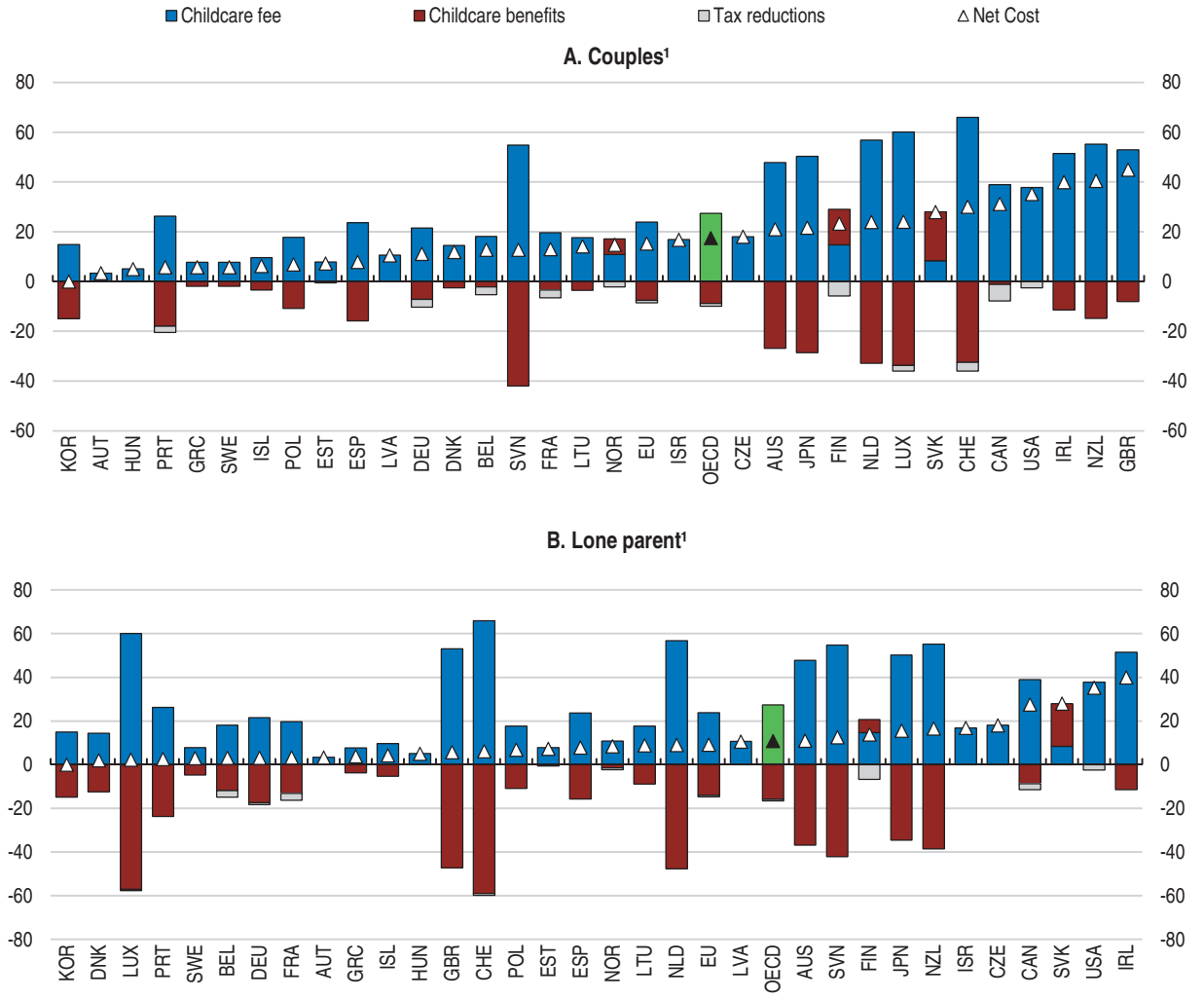
1. Net transfers and childcare fees for households with two children aged 2 and 3. Taking into account childcare fees and changes of taxes and benefits in case of a transition to a job paying two-thirds of average worker earnings.
2. Second earner taking up employment at 67% of average wage and the first earner earns 100% of average wage.
3. Lone parent taking up employment at 67% of average wage.

Source: OECD, *Tax-Benefit Models*, *www.oecd.org/els/social/workincentives*.

StatLink http://dx.doi.org/10.1787/888933456355

Figure 4.9. **Net costs of childcare**

Childcare-related costs and benefits as a percentage of average wage, 2012



1. Couples where the first earner earns 100% of the average wage and the second earns 67% of the average wage. Lone parent earning 67% of the average wage. For Canada, Finland, Norway, Slovak Republic, Slovenia and the United Kingdom, childcare benefits refer to childcare and other benefits.

Source: OECD, *Tax-Benefit Models*, *www.oecd.org/els/social/workincentives*.

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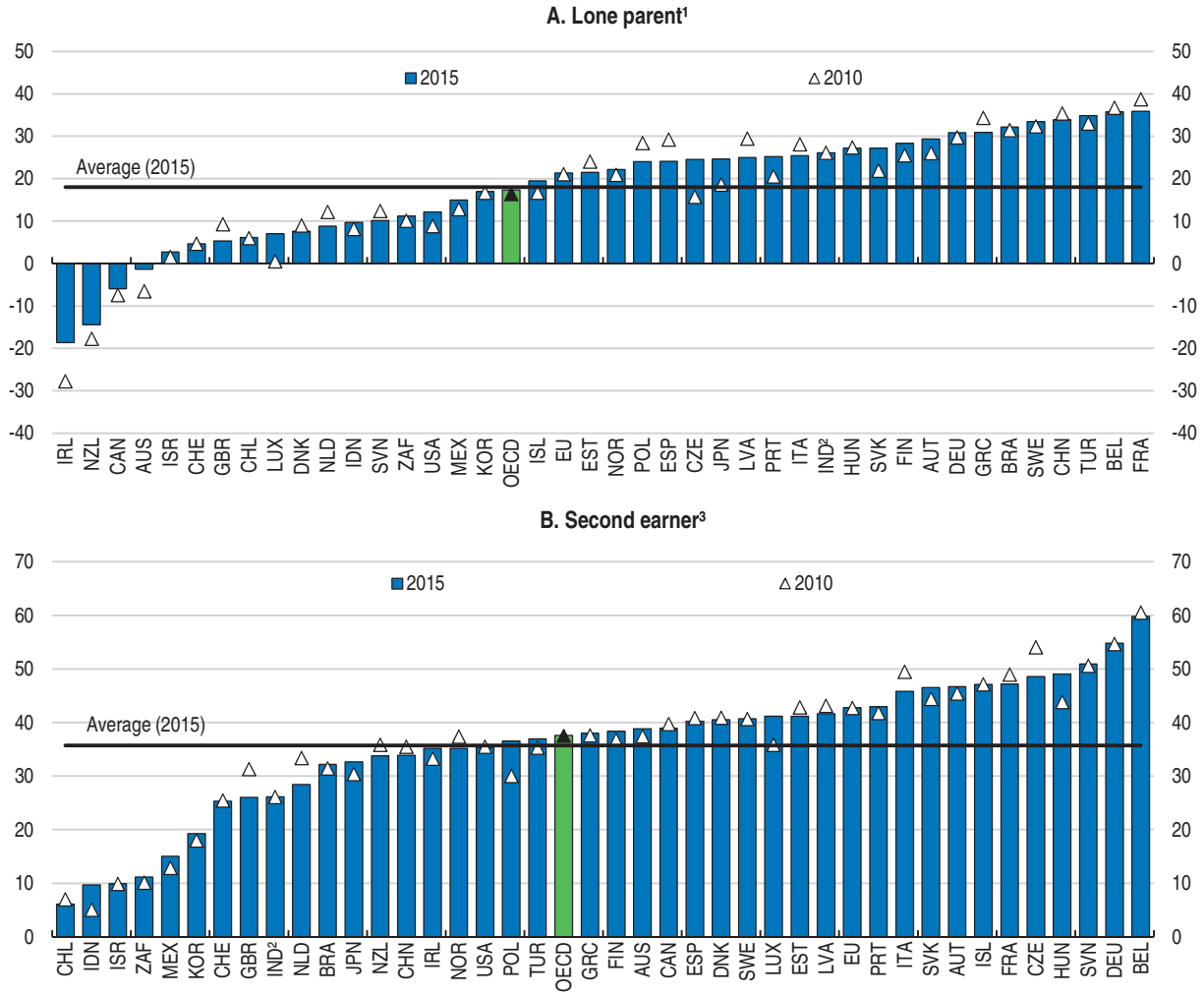
Figure 4.10. **Average tax wedge: lone parent versus second earner**

As a percentage of total labour compensation

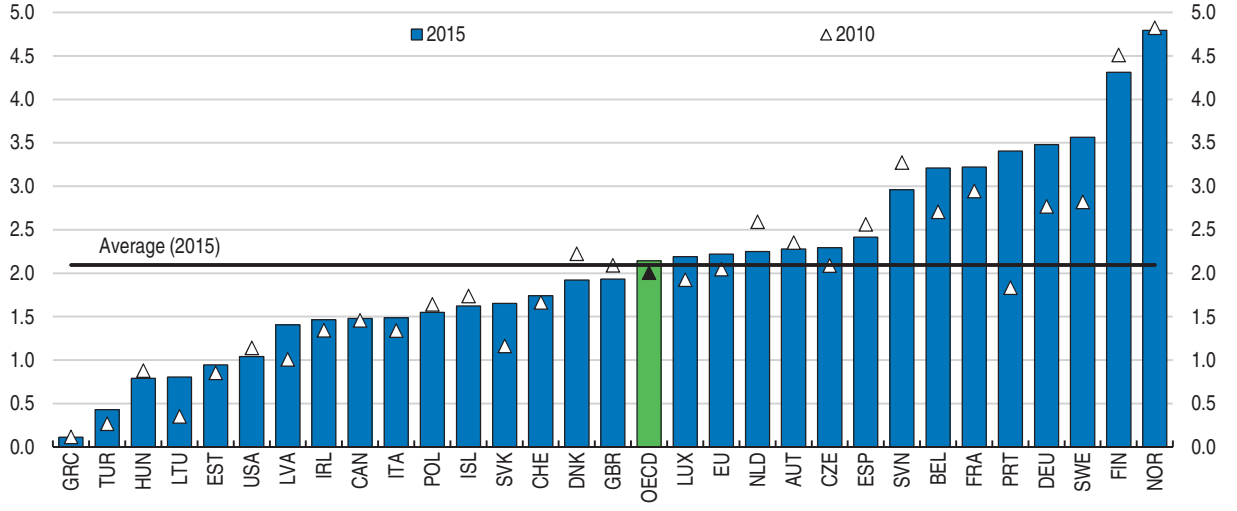


1. Lone parent with two children earning 67% of the average wage.
2. Results apply only for the minority case where the employee works in a firm with more than 20 employees.
3. Average tax wedge faced by the second earner when earning 67% of the average wage in a family with two children, where the first earner receives a full average wage.

Source: Taxing Wages 2016 (calculations based on data retrieved from OECD.Stat: *http://dotstat.oecd.org/Index.aspx?DataSetCode=AWCOU*) and Taxing Wages Models for non-OECD member countries.

StatLink http://dx.doi.org/10.1787/888933456373

Figure 4.11. **Number of weeks lost due to sick leave per year**



Source: OECD estimates based on the European Labour Force Survey (unpublished data), the Canadian Labour Force Survey and published U.S Current Population Survey estimates on lost working time rate due to injury or illness of full-time wage and salary workers.

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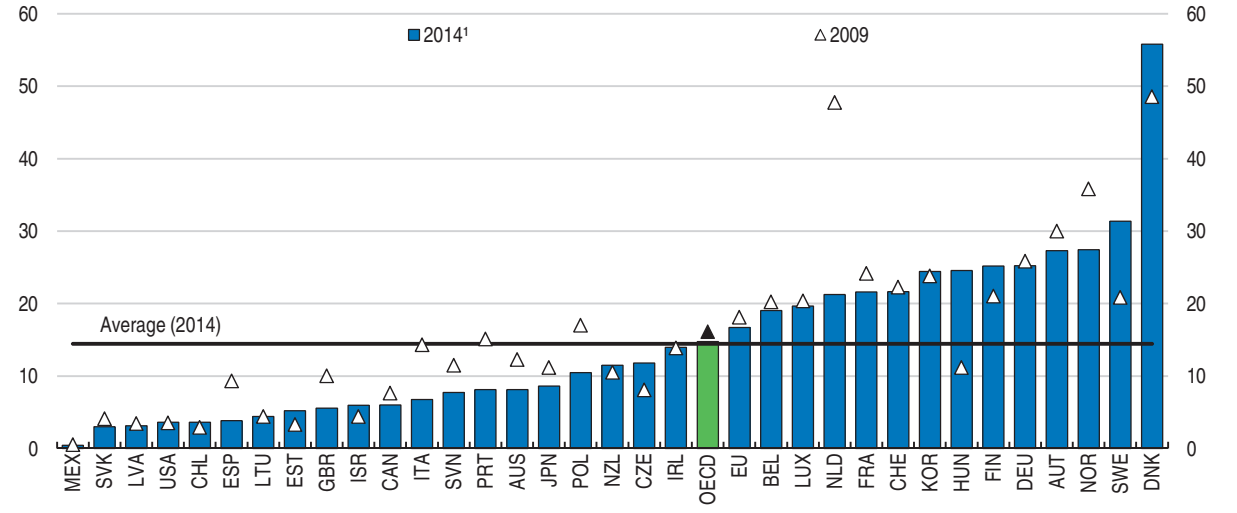
Figure 4.12. **Public expenditure on active labour market policies per unemployed**[1]

As a percentage of GDP per capita



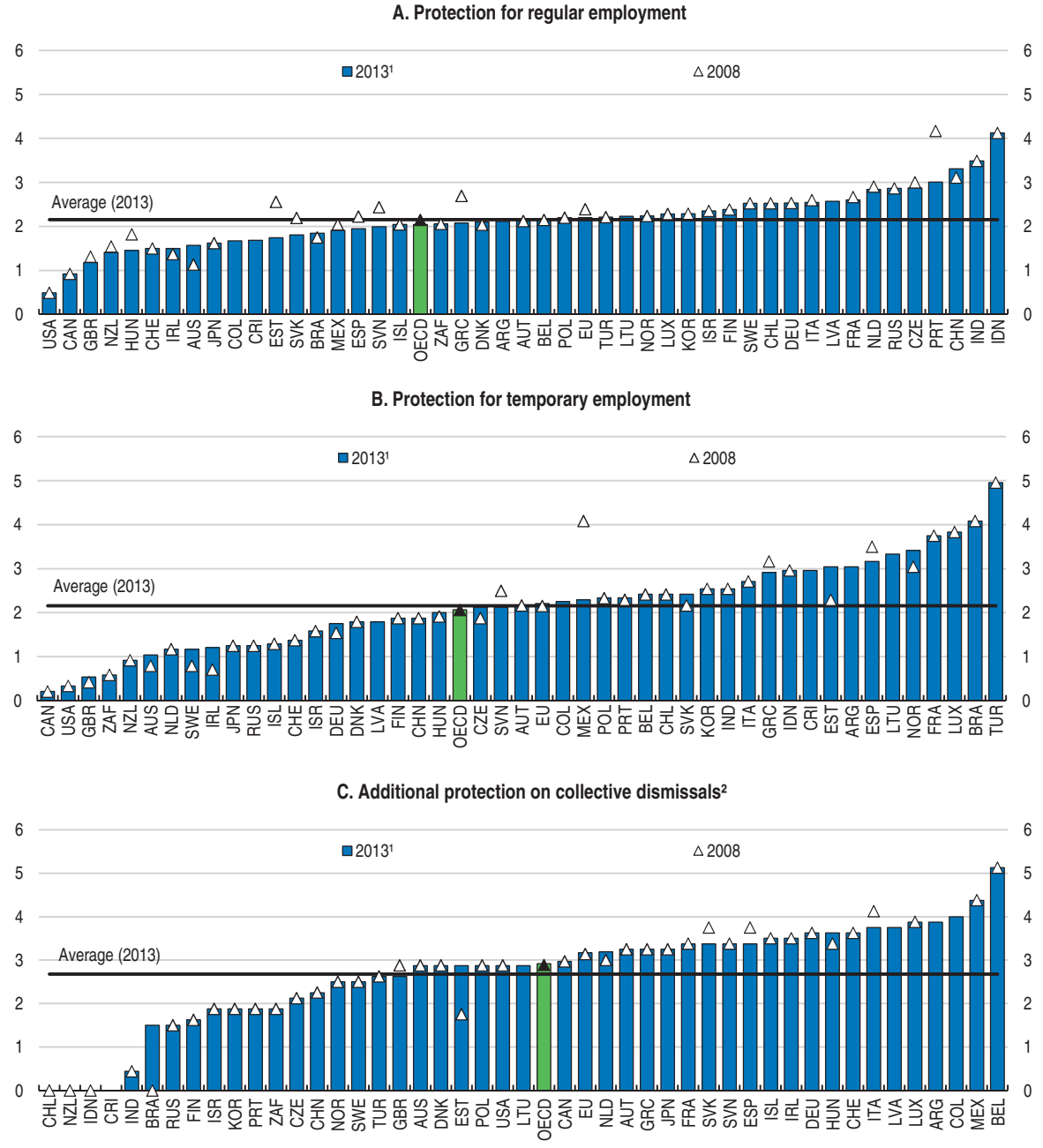
1. Data refer to 2013 for Ireland, Poland and Spain; 2011 for the United Kingdom.

Source: OECD, *Public expenditure and participant stocks on Labour Market Programmes* and *Economic Outlook Databases*.

StatLink http://dx.doi.org/10.1787/888933456399

Figure 4.13. **Employment protection legislation**

Index scale of 0-6 from least to most restrictive



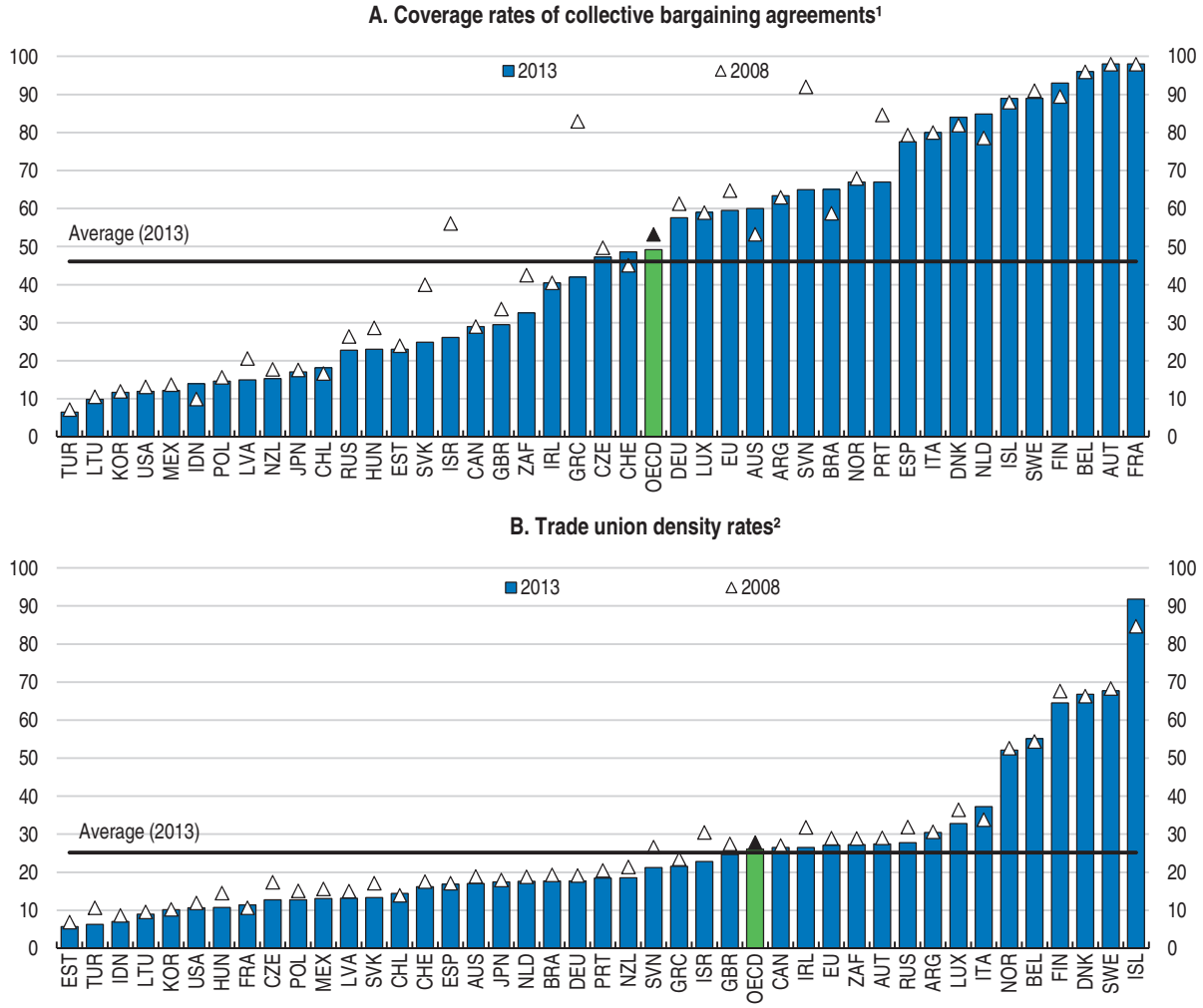
1. Data refer to 2015 for Lithuania; 2014 for Argentina, Colombia, Costa Rica, Slovenia and the United Kingdom; 2012 for BRIICS countries and Latvia.
2. Values in 2008 and 2013 are equal to zero for Chile, Indonesia and New Zealand; values are equal to zero in 2008 for Brazil and in 2014 for Costa Rica.

Source: OECD, *Employment Protection Database*.

StatLink http://dx.doi.org/10.1787/888933456407

Figure 4.14. **Coverage rates of collective bargaining agreements and trade union density rates**

Percentage



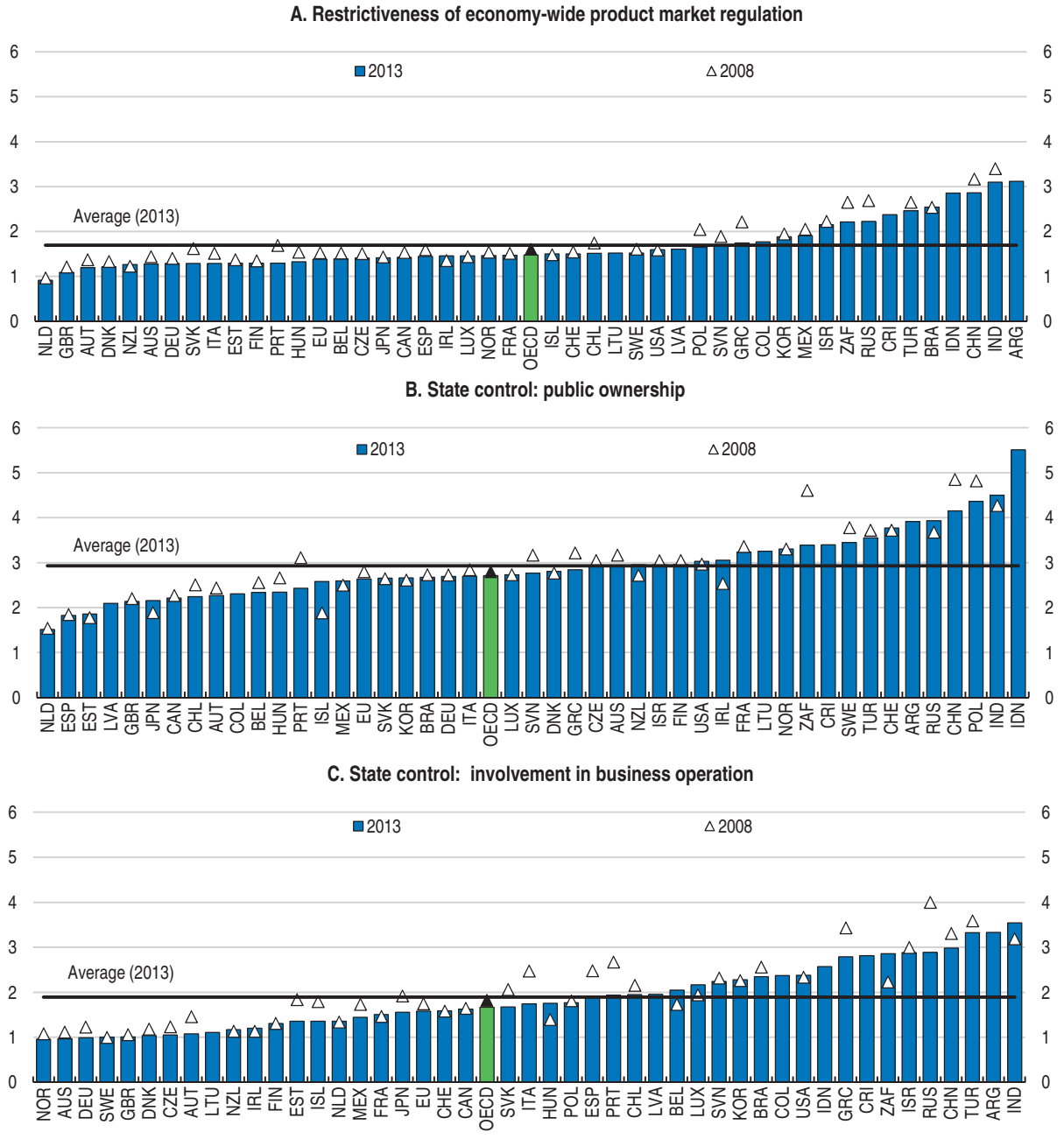
1. The coverage rate is measured as the percentage of workers who are covered by collective bargaining agreements, regardless of whether or not they belong to a trade union. For 2013, data refer to 2014 for Finland and Portugal; 2012 for Australia, Estonia, France, Indonesia, Israel, Korea, Lithuania, Luxembourg, Mexico, Poland and South Africa; 2011 for New Zealand; 2010 for Italy; 2009 for Ireland. For 2008, data refer to 2010 for Argentina; 2009 for Brazil, Chile, Denmark, Estonia, Hungary, Ireland, Latvia, Mexico, Norway, the Russian Federation and Switzerland; 2007 for New Zealand, Poland and Sweden; 2005 for Italy; 2000 for Israel.
2. The union density rate is the percentage of workers belonging to a trade union. The rates refer to wage and salary workers. The last available year is 2015 for Canada, Iceland, Ireland, Japan, Mexico, South Africa, the United Kingdom and the United States; 2014 for Brazil, Chile, Korea, New Zealand; 2013 for Switzerland; 2012 for Hungary, Indonesia, Israel, Latvia, Lithuania, Luxembourg, Poland and Portugal.

Source: OECD estimates and J. Visser, *ICTWSS Database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts in 51 countries between 1960 and 2014*, Version 5.1, Amsterdam Institute for Advanced Labour Studies AIAS, September 2016.

StatLink http://dx.doi.org/10.1787/888933456419

Figure 4.15. **Product market regulation and state control of business operation**

Index scale of 0-6 from least to most restrictive

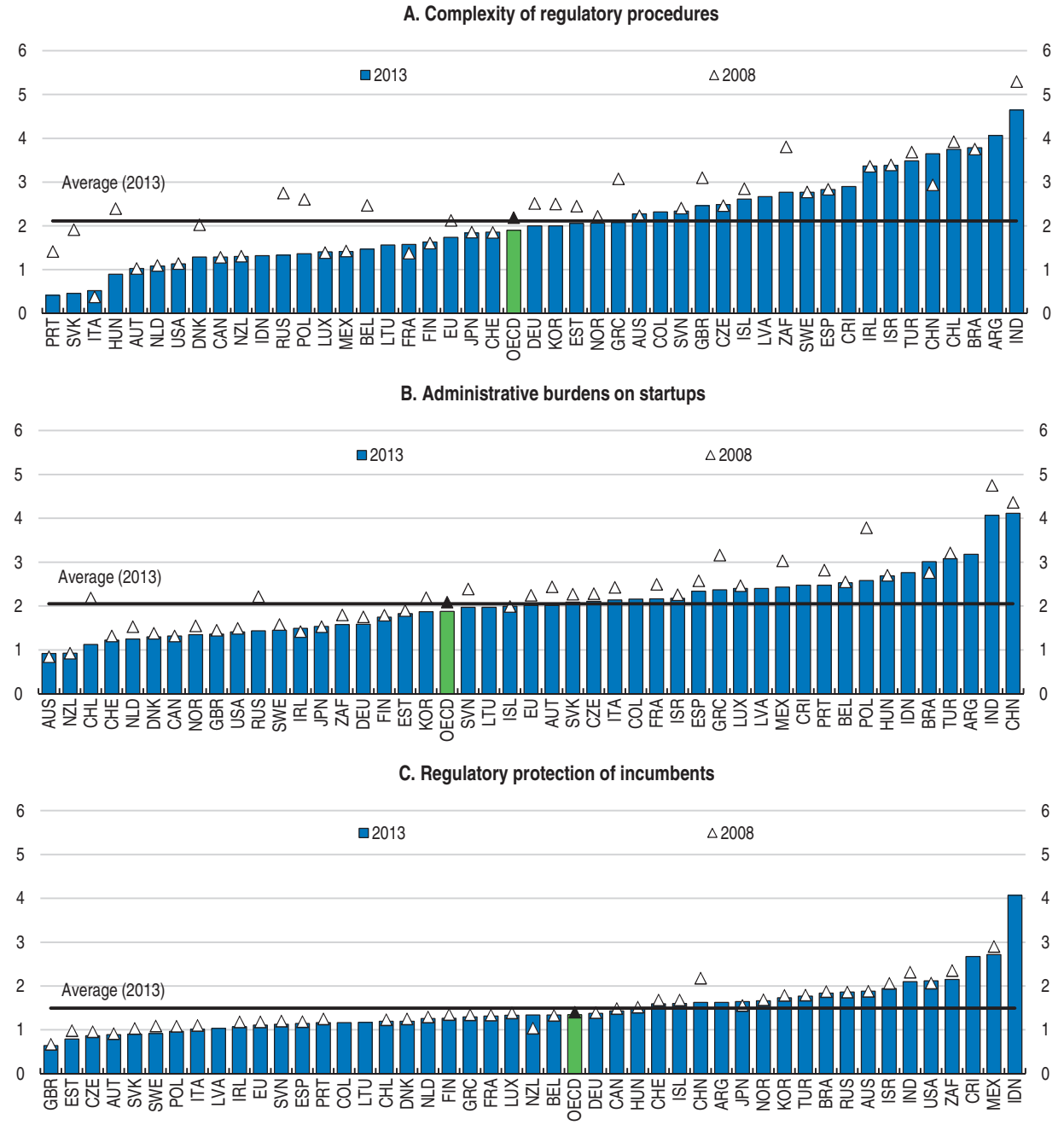


Source: OECD, *Product Market Regulation Database* and Koske, I., I. Wanner, R. Bitetti and O. Barbiero, (2015), "The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries", *OECD Economics Department Working Papers, 1200/2015*; *OECD-WBG Product Market Regulation Database* for Argentina, Colombia and Costa Rica.

StatLink http://dx.doi.org/10.1787/888933456428

Figure 4.16. **Barriers to entrepreneurship**

Index scale of 0-6 from least to most restrictive

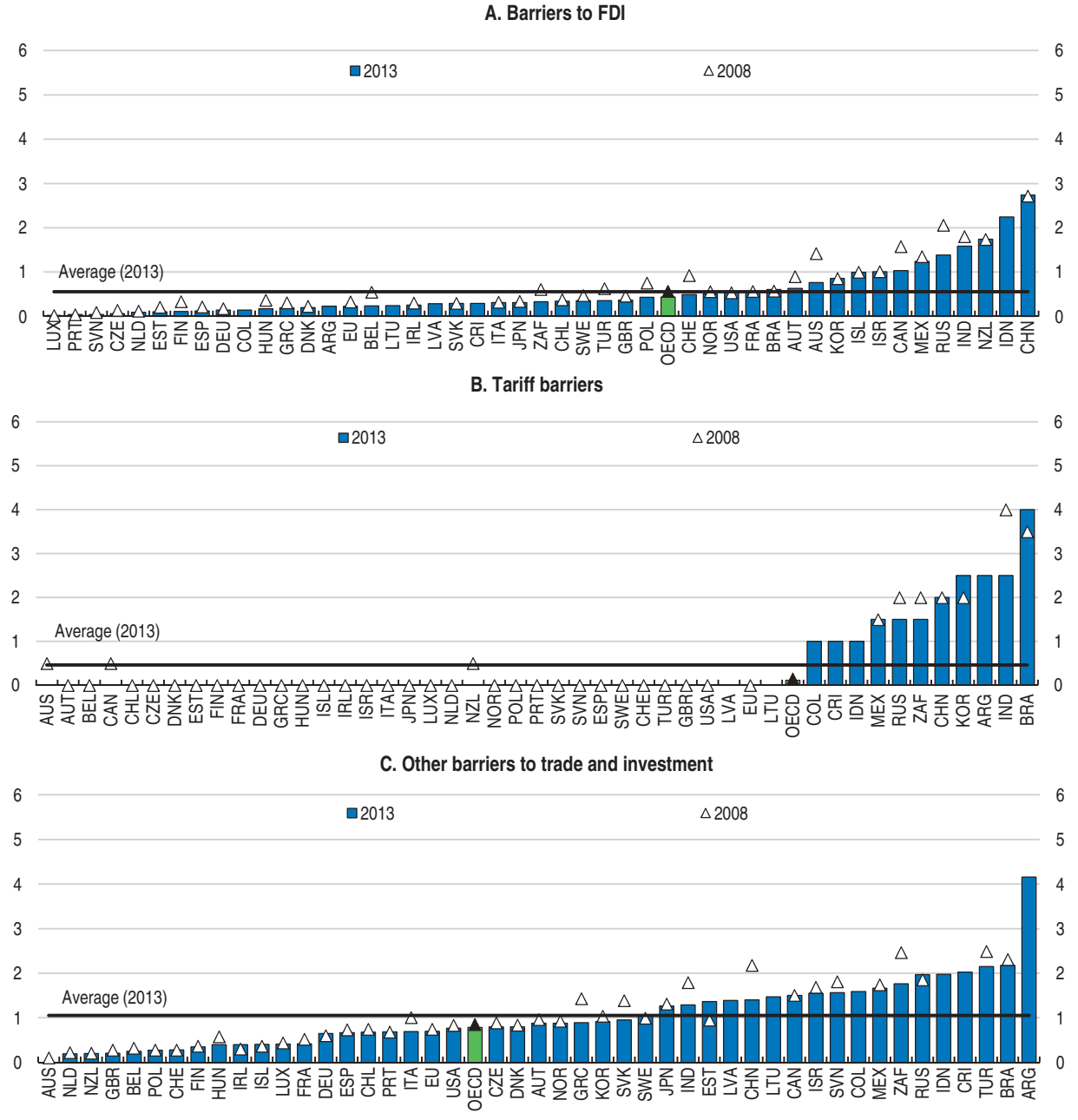


Source: OECD, *Product Market Regulation Database* and Koske, I., I. Wanner, R. Bitetti and O. Barbiero, (2015), "The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries", *OECD Economics Department Working Papers*, 1200/2015; *OECD-WBG Product Market Regulation Database* for Argentina, Colombia and Costa Rica.

StatLink http://dx.doi.org/10.1787/888933456432

Figure 4.17. **Barriers to trade and investment**

Index scale of 0-6 from least to most restrictive

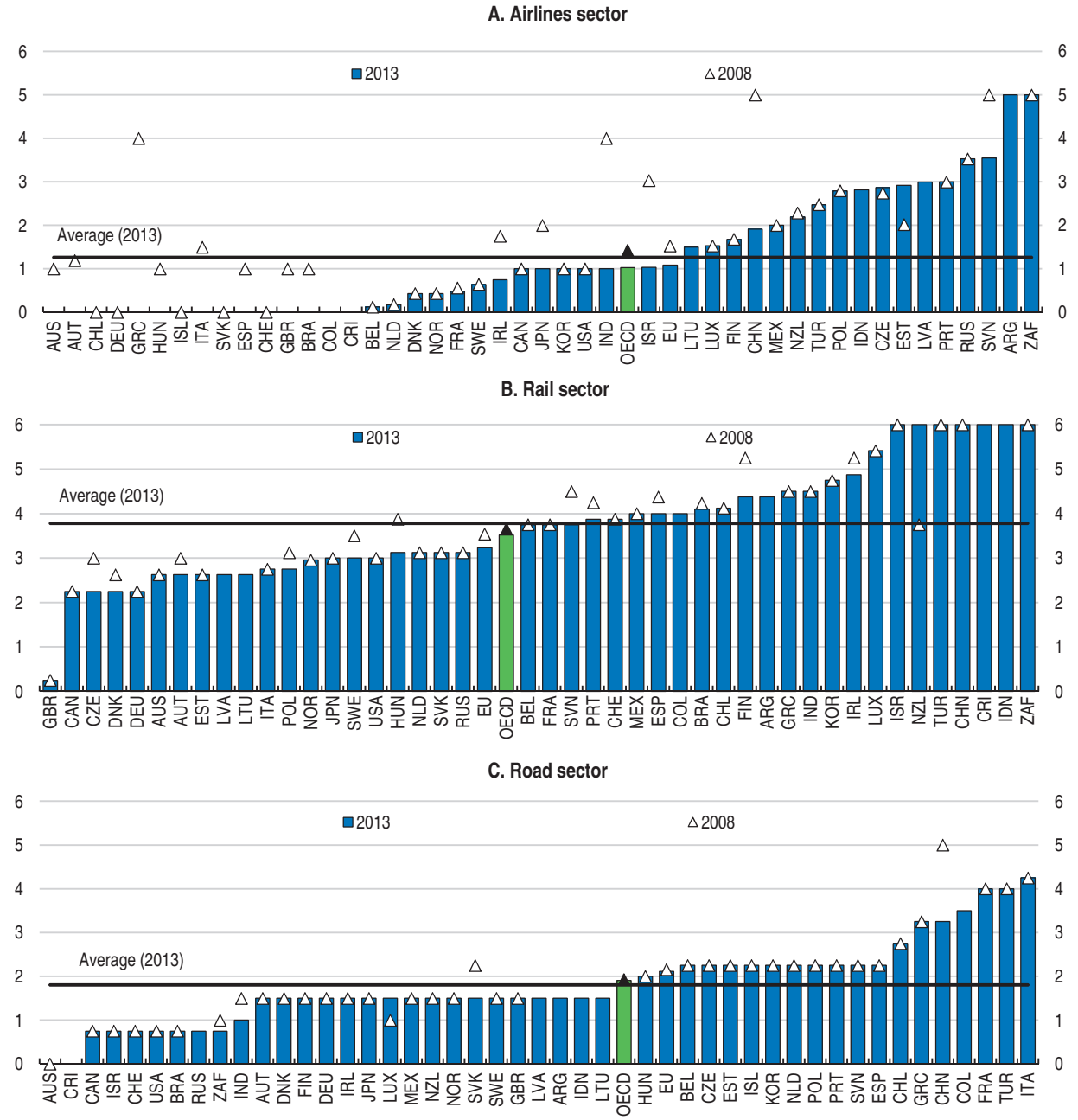


Source: OECD, *Product Market Regulation Database* and Koske, I., I. Wanner, R. Bitetti and O. Barbiero, (2015), "The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries", *OECD Economics Department Working Papers*, 1200/2015; *OECD-WBG Product Market Regulation Database* for Argentina, Colombia and Costa Rica.

StatLink http://dx.doi.org/10.1787/888933456447

Figure 4.18. **Sectoral regulation in the transport sector**

Index scale of 0-6 from least to most restrictive

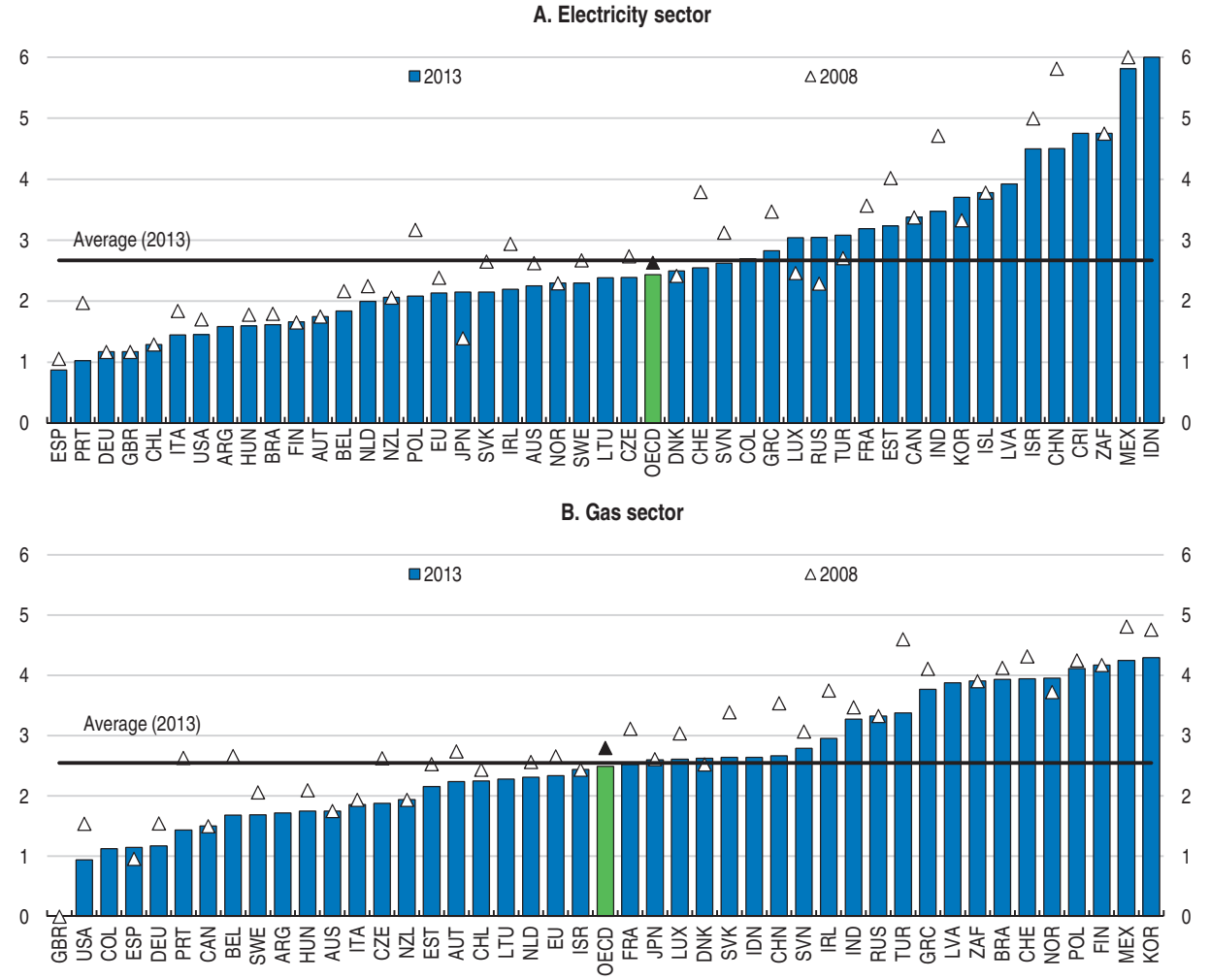


Source: OECD, *Product Market Regulation Database* and Koske, I., I. Wanner, R. Bitetti and O. Barbiero, (2015), "The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries", *OECD Economics Department Working Papers*, 1200/2015; *OECD-WBG Product Market Regulation Database* for Argentina, Colombia and Costa Rica.

StatLink http://dx.doi.org/10.1787/888933456454

Figure 4.19. **Sectoral regulation in the energy sector**

Index scale of 0-6 from least to most restrictive

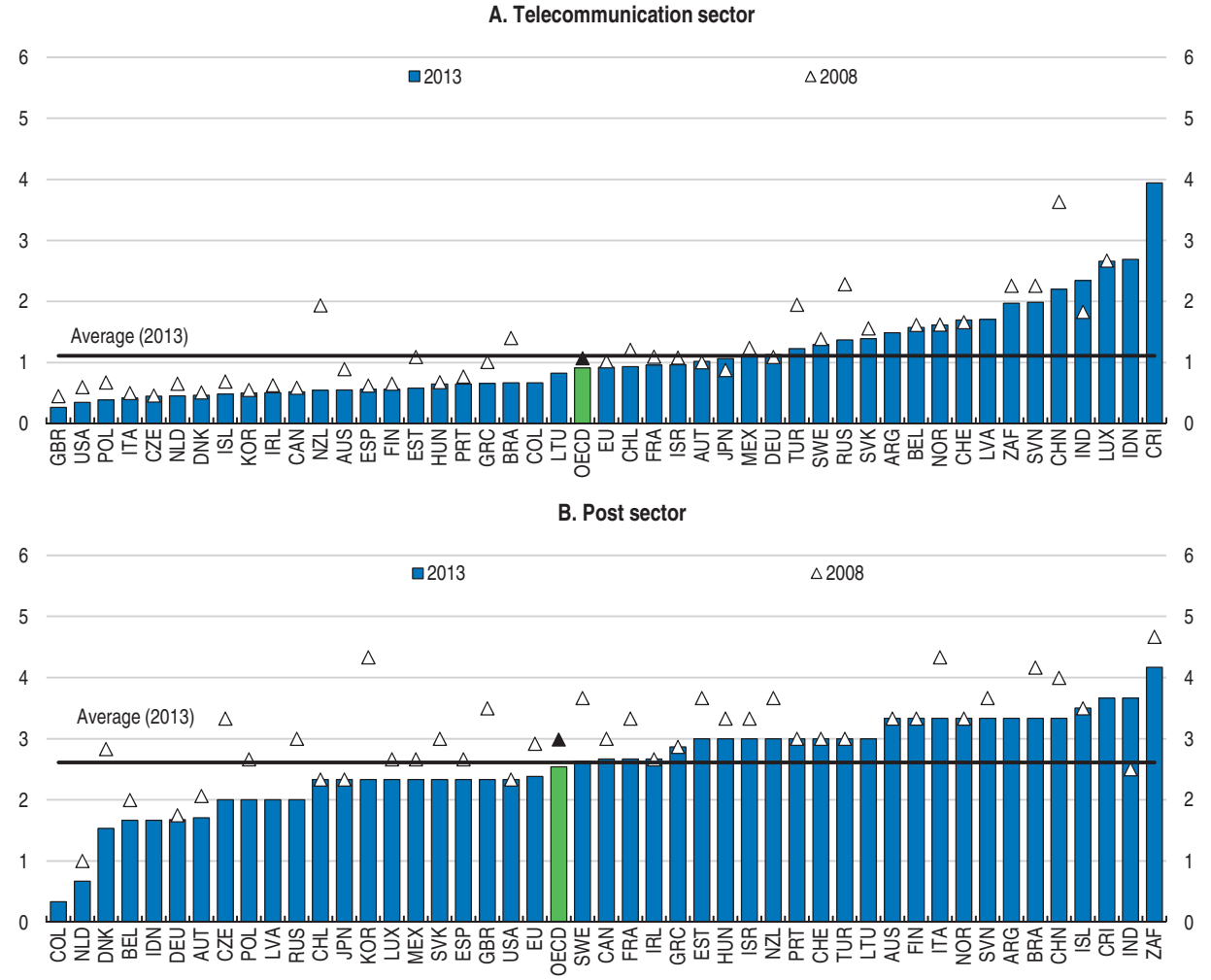


Source: OECD, *Product Market Regulation Database* and Koske, I., I. Wanner, R. Bitetti and O. Barbiero, (2015), "The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries", *OECD Economics Department Working Papers*, 1200/2015; *OECD-WBG Product Market Regulation Database* for Argentina, Colombia and Costa Rica.

StatLink http://dx.doi.org/10.1787/888933456460

Figure 4.20. **Sectoral regulation in the post and telecommunication sectors**

Index scale of 0-6 from least to most restrictive

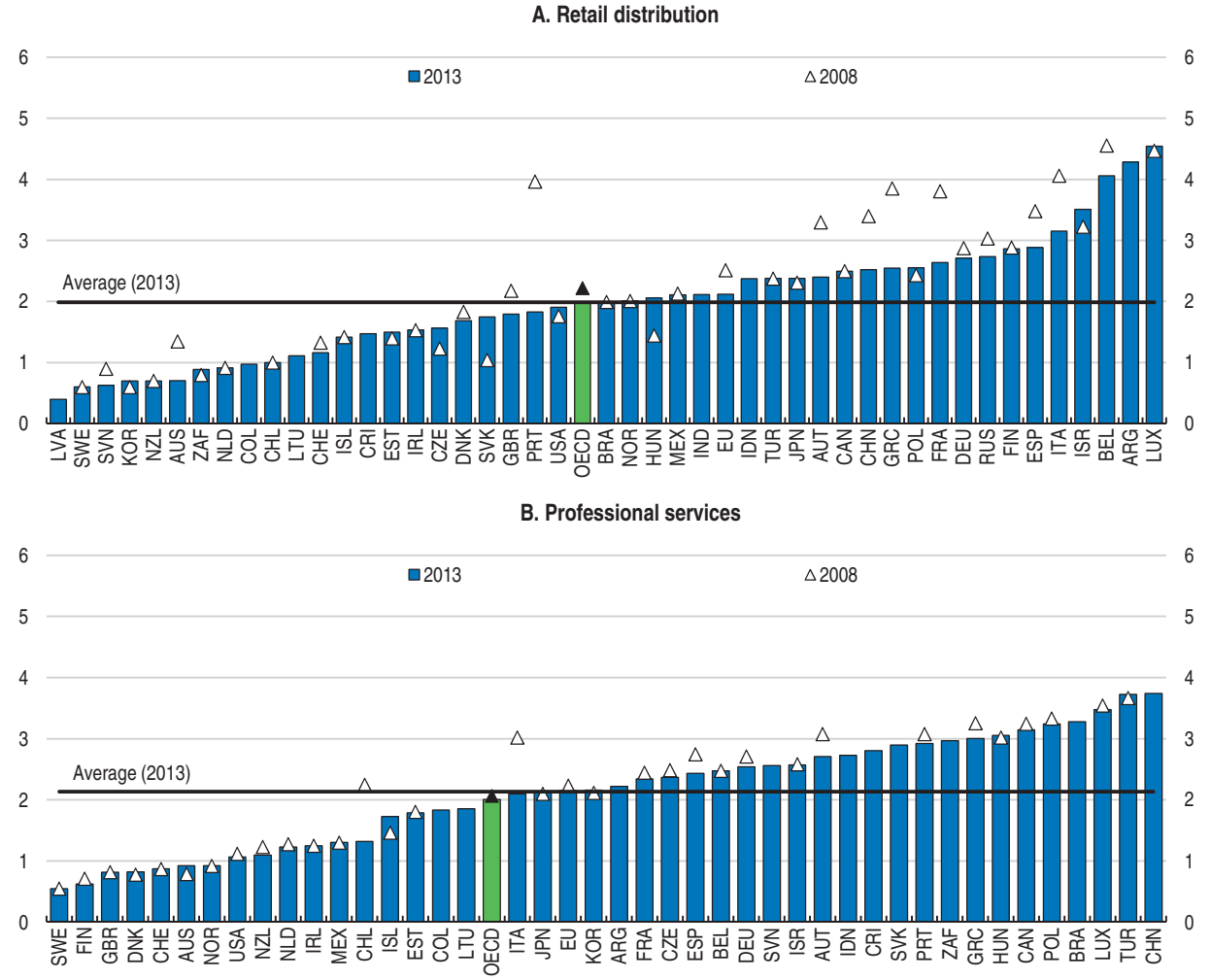


Source: OECD, *Product Market Regulation Database* and Koske, I., I. Wanner, R. Bitetti and O. Barbiero, (2015), "The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries", *OECD Economics Department Working Papers*, 1200/2015; *OECD-WBG Product Market Regulation Database* for Argentina, Colombia and Costa Rica.

StatLink http://dx.doi.org/10.1787/888933456477

Figure 4.21. **Sectoral regulation in retail and professional services**

Index scale of 0-6 from least to most restrictive



Source: OECD, *Product Market Regulation Database* and Koske, I., I. Wanner, R. Bitetti and O. Barbiero, (2015), "The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries", *OECD Economics Department Working Papers*, 1200/2015; *OECD-WBG Product Market Regulation Database* for Argentina, Colombia and Costa Rica.

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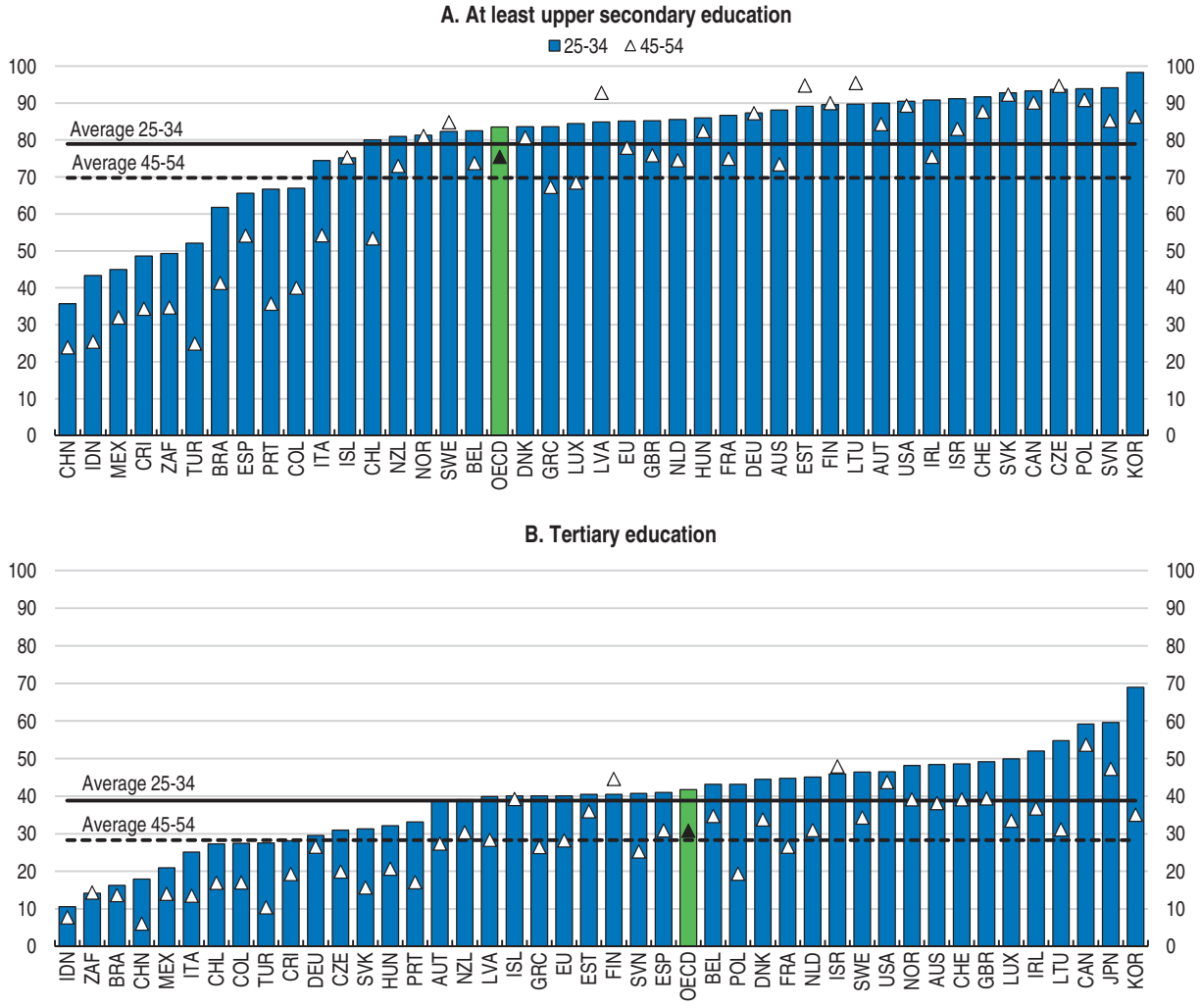
Figure 4.22. **Educational attainment**

As a percentage of population aged 25-34 and 45-54, 2015[1]



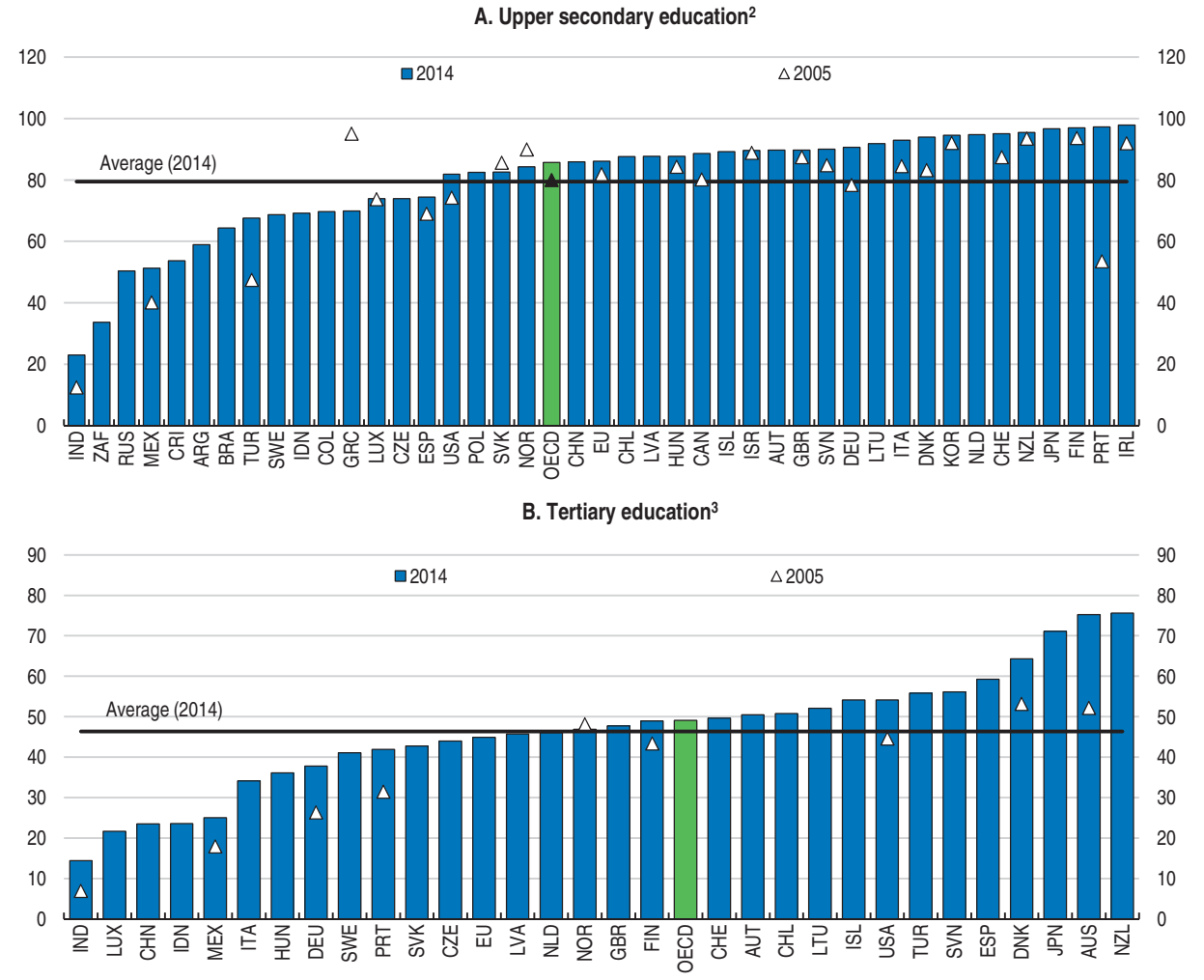
1. Data refer to 2014 for Brazil, France and South Africa; 2013 for Chile and Indonesia; 2010 for China.

Source: OECD, *Education at a Glance 2016: OECD Indicators*.

StatLink http://dx.doi.org/10.1787/888933456497

Figure 4.23. **Graduation rates in upper secondary and tertiary education**[1]

Percentage



1. Graduation rates represent the estimated percentage of people from a given age cohort that is expected to graduate at some point during their lifetime. This estimate is based on the number of graduates in a given year, regardless of their age, divided by the size of the average cohort of the typical age of graduation.
2. First-time graduation rates for ISCED 3. Estimated graduation rates can be very high, even above 100%, when a significant number of people above the typical age of graduation return to school. This is the case for Portugal, as a result of the New Opportunities programme. For India, upper secondary education is defined as persons aged 19 year olds who completed upper secondary education and data refer to 2007-08 instead of 2005. The last available year is 2013 for Argentina, Canada, Iceland, Ireland and Switzerland; 2012 for Greece and the United Kingdom.
3. First-time graduation rates for ISCED 5 to 7. For India, tertiary education refers to the 24 year olds and over who have graduated and data refers to 2007-08 instead of 2005. The last available year is 2013 for Canada and Iceland.

Source: OECD, *Education at a Glance 2016: OECD Indicators*; India National Sample Survey.

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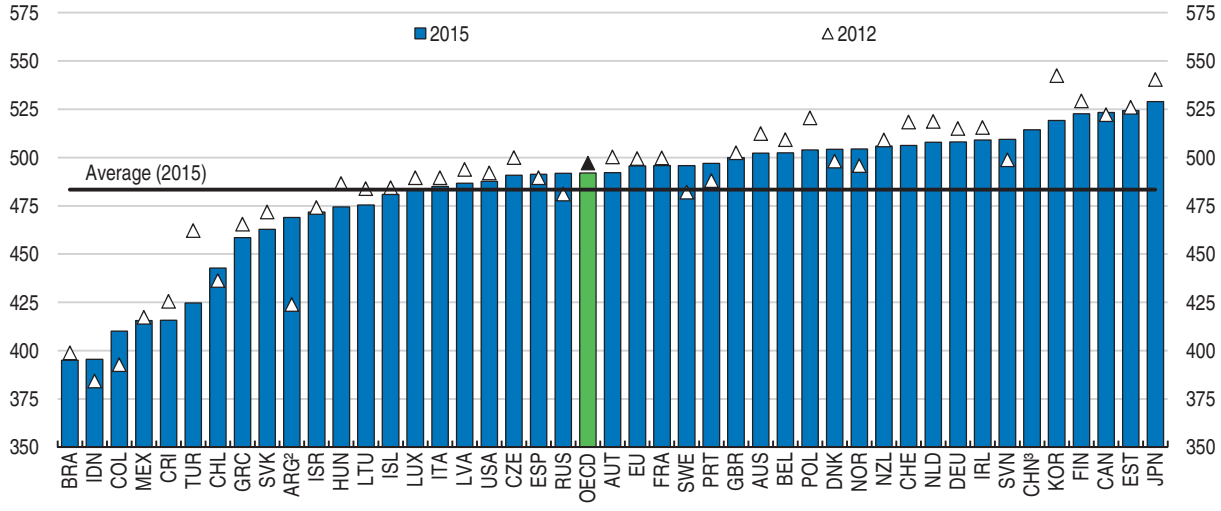
Figure 4.24. **Educational achievement**

Average of PISA scores in reading, mathematics and science[1]



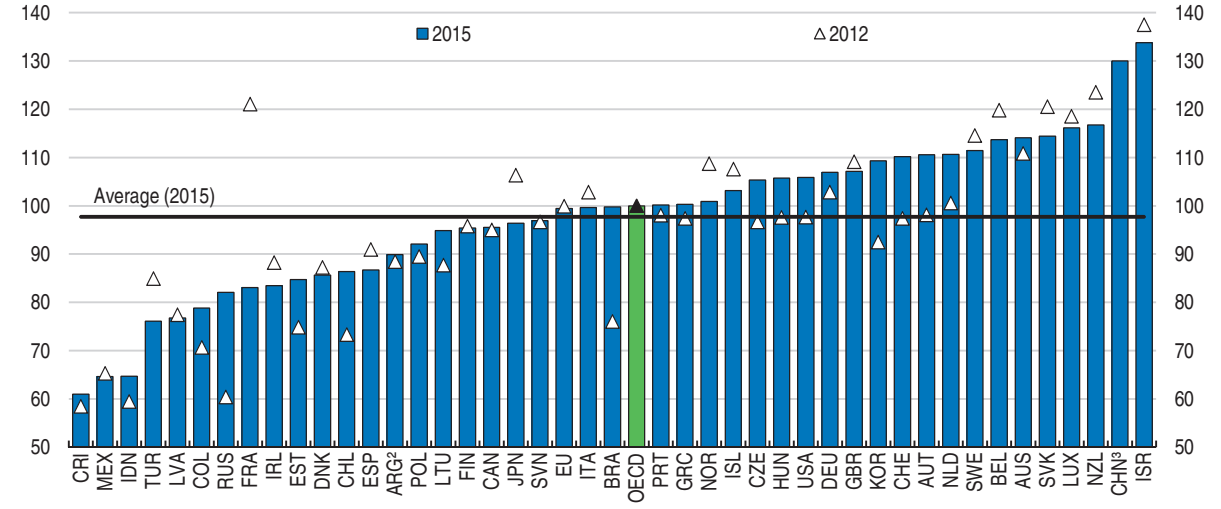
1. PISA is the Programme for International Student Assessment.
2. Data refers to the region of Ciudad Autónoma de Buenos Aires. Coverage is too small to ensure comparability (see Annex A4 of PISA 2015 Results, Volume I: Excellence and Equity in Education).
3. Data refers to the four PISA participating Chinese provinces: Beijing, Shanghai, Jiangsu and Guangdong.

Source: OECD (2016), *PISA 2015 Results (Volume I): Excellence and Equity in Education*, PISA.

StatLink http://dx.doi.org/10.1787/888933456519

Figure 4.25. **Variance of educational achievement**

Total variance in PISA scores in reading, mathematics and science[1]



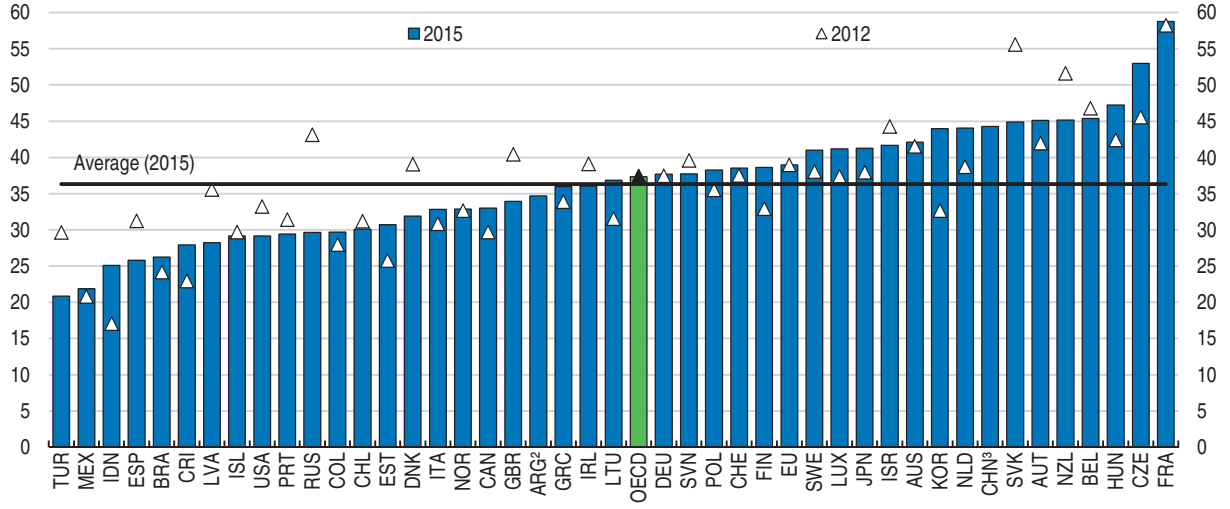
1. PISA is the Programme for International Student Assessment. OECD = 100. The variance components in mathematics, sciences and reading were estimated for all students in participating countries with data on socio-economic background and study programmes. The variance in student performance is calculated as the square of the standard deviation of PISA scores in reading, mathematics and science for the sample of students used in the analysis. Average of PISA scores in mathematics and reading only in 2015 for France.
2. Data refers to the region of Ciudad Autónoma de Buenos Aires. Coverage is too small to ensure comparability (see Annex A4 of PISA 2015 Results, Volume I: Excellence and Equity in Education).
3. Data refers to the four PISA participating Chinese provinces: Beijing, Shanghai, Jiangsu and Guangdong.

Source: OECD (2016), *PISA 2015 Results (Volume I): Excellence and Equity in Education*, PISA.

StatLink http://dx.doi.org/10.1787/888933456525

Figure 4.26. **Influence of socio-economic and cultural background on student reading performance**[1]

Change in the reading score per unit change in the socio-economic index



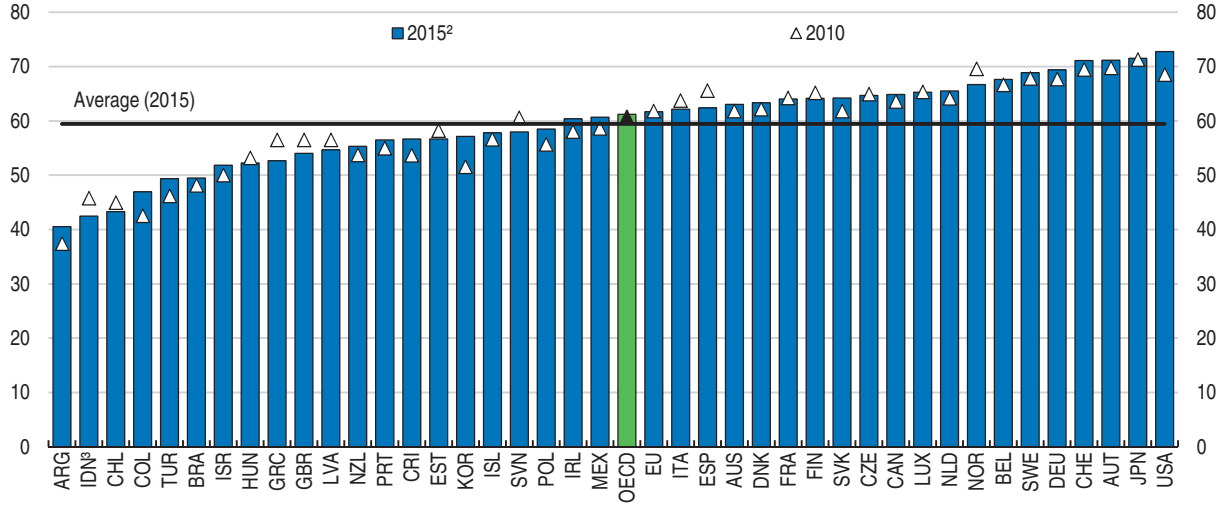
1. Defined as the estimated coefficient from the country-specific regression of PISA reading performance on corresponding index of economic, social and cultural status (ESCS).
2. Data refers to the region of Ciudad Autónoma de Buenos Aires. Coverage is too small to ensure comparability (see Annex A4 of PISA 2015 Results, Volume I: Excellence and Equity in Education).
3. Data refers to the four PISA participating Chinese provinces: Beijing, Shanghai, Jiangsu and Guangdong.

Source: OECD (2016), *PISA 2015 Results (Volume I): Excellence and Equity in Education*, PISA.

StatLink http://dx.doi.org/10.1787/888933456531

Figure 4.27. **Share of direct taxes**[1]

As a percentage of total tax revenue



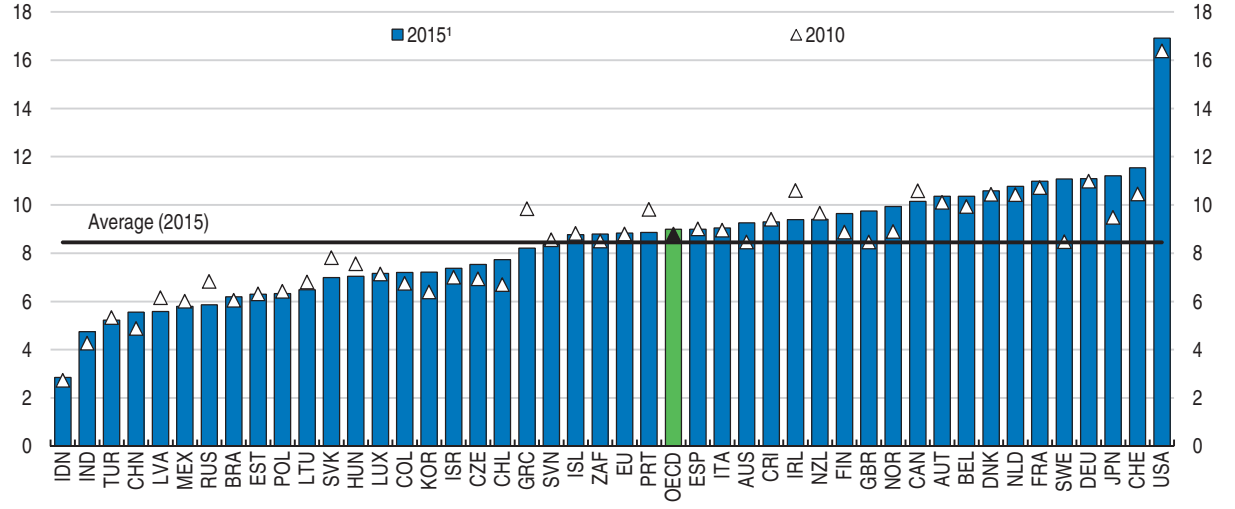
1. Direct taxes aggregate taxes on income, profits and capital gains, social security contributions and taxes on payroll and workforce.
2. The last available year is 2014 for Argentina, Australia, Brazil, Colombia, Costa Rica, Indonesia, Japan, Mexico and Poland.
3. For Indonesia, direct taxes only comprise taxes on income, profits and capital gains.

Source: OECD, *Revenue Statistics Database*.

StatLink http://dx.doi.org/10.1787/888933456547

Figure 4.28. **Health expenditure**

As a percentage of GDP



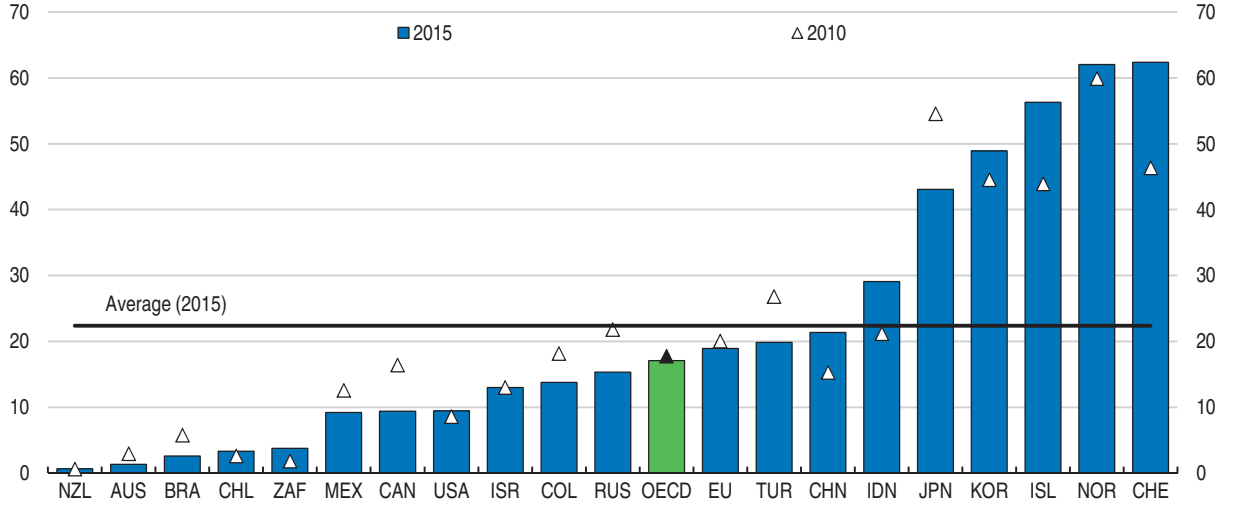
1. Data refer to 2014 for China, Colombia, Costa Rica, India, Indonesia, the Russian Federation and South Africa; 2013 for Brazil.

Source: OECD, *Health Database*.

StatLink http://dx.doi.org/10.1787/888933456553

Figure 4.29. **Producer support estimate to agriculture**

As a percentage of farm receipts[1]



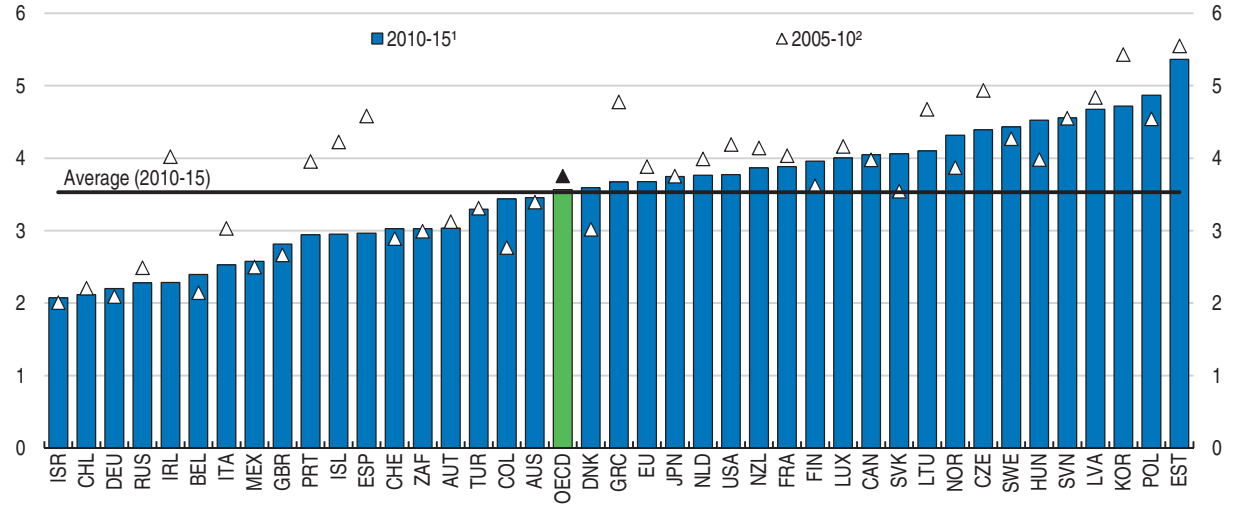
1. EU refers to all 28 members of the European Union. The last available year is 2014 for the Russian Federation.

Source: OECD, *Producer and Consumer Support Estimates Database*.

StatLink http://dx.doi.org/10.1787/888933456564

Figure 4.30. **Public investment**

As a percentage of GDP



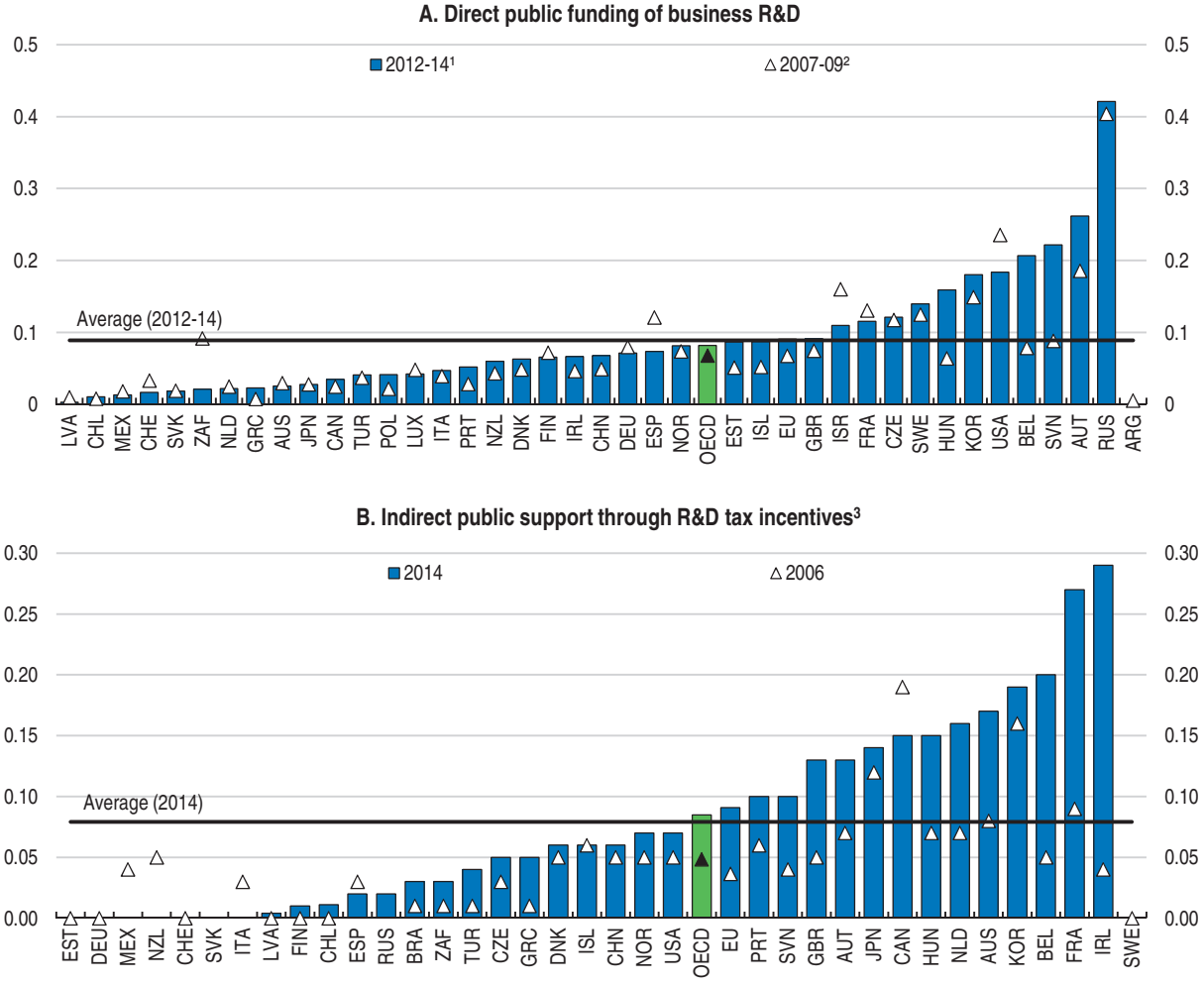
1. Average 2010-14 for Chile, New Zealand, the Russian Federation and Turkey; 2010-13 for Mexico.
2. Average 2006-10 for Turkey.

Source: OECD, *Economic Outlook Database*.

StatLink http://dx.doi.org/10.1787/888933456570

Figure 4.31. **Financial support for private R&D investment**

As a percentage of GDP



1. Average of years 2012 and 2013 for Belgium, France, Israel, Italy, Portugal and the United States; 2014 for Latvia; 2013 for Australia, Austria, Iceland, New Zealand and Sweden; 2012 for Switzerland and South Africa. Data are not available for Argentina.
2. Average of years 2007 and 2009 for Austria, Luxembourg, the Netherlands, New Zealand, Poland and Sweden; 2008 for Switzerland; 2007 for Greece; 2006 for Latvia.
3. The last available year is 2013 for Australia, Brazil, China, France, Iceland, Italy, New Zealand and the United States; 2012 for Belgium, South Africa and Switzerland; 2011 for Mexico and the Russian Federation. Instead of 2006, data refer to 2011 for Iceland; 2009 for China; 2008 for Chile, New Zealand, Switzerland and Turkey; 2007 for Belgium, Denmark, Italy, Korea, Mexico, Slovenia and Sweden.

Source: Panel A: OECD, *Science and Technology Indicators Database*; Panel B: OECD, *R&D Tax Incentives Database*, *www.oecd.org/sti/rd-tax-stats.htm*, December 2016.

StatLink http://dx.doi.org/10.1787/888933456587