



Economic Policy Reforms Going for Growth

2019



Economic Policy Reforms 2019

GOING FOR GROWTH

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Editorial

The time for reform is now to respond to global challenges

Globalisation, digitalisation, ageing and environmental degradation are the megatrends shaping tomorrow's living standards and well-being. The prospects look weak in the absence of renewed reform dynamism. The global economy is facing further headwinds, with growth weakening in the wake of high trade uncertainty. At the same time, gains in living standards, as measured by GDP per capita, have been much slower since the Great Financial Crisis. All this should prompt policy makers to implement necessary reforms to deliver on stronger, more inclusive and environmentally-sustainable growth and help people make the most out of opportunities created in this new world.

This 2019 *Going for Growth* edition offers policy makers a set of country-specific reform priorities to prepare for the future and turn mega-trend challenges into opportunities, for all.

Governments are increasingly addressing social challenges and reforms are paying off

Looking back at reform achievements over the past two years gives a contrasted picture. Although the overall pace of reforms has returned to the modest pre-crisis pace, a number of countries have managed to implement major reforms – reforms that respond directly to past *Going for Growth* priorities.

Significant examples include reforms to lift employment and make the labour market more inclusive. France improved collective wage bargaining and legal certainty for dismissals, reformed the rules for unemployment insurance and increased in-work benefits. Japan took steps to improve childcare provision and new laws on overtime work to improve work-life balance.

Regulatory simplification and tax policy have also been used to support firms' investment and growth, but also provide governments with necessary resources for redistribution. The United States has cut corporate income tax rates and reformed business taxation – a long-standing *Going for Growth* priority. India implemented a landmark tax reform with the introduction of its Goods and Services Tax. Other countries, such as Greece, Poland and Spain took significant measures to improve tax collection. Several countries took measures to facilitate firm entry and level the playing field for businesses by reducing red tape, deregulating professional services and network sectors as well as by reinforcing competition authorities.

Governments have also intensified reform efforts to tackle social challenges. Greece and Italy rolled-out nationwide anti-poverty schemes. India finalised the connection of all its villages to electricity and launched a national health protection scheme targeting 100 million poor families. China made progress on bridging the rural-urban divide in its health care system by increasing the portability of health insurance.

These reforms are already improving the lives of millions. Yet, there is more to do, and *Going for Growth* reflects OECD's expert judgement on where policy makers need to focus reform actions to deliver sustainable and inclusive growth for future generations.

More needs to be done, especially on reforms that ensure stronger and fairer outcomes

The reform priorities to boost inclusive growth differ across countries. Education is the most common reform priority and is crucial to make sure current and future generations find employment, which would

both boost productivity and give everyone the best chance for a fulfilling life. A significant number of recommendations in the area of education focus on improving the targeting of resources to disadvantaged students and schools, for example in many European and Latin American countries, as well as the United States. Upgrading school infrastructure is a recommendation in emerging-market economies such as India and South Africa.

Both growth and equal opportunities will also benefit from addressing labour market segmentation and improving the labour market inclusion of women, migrants, minorities and older workers - another set of top *Going for Growth* priorities, in particular in Europe, but also in the United States, Japan and several emerging-market economies..

Tax reform, with increasing reliance on property taxation, is a pro-growth priority in many, particularly advanced economies. Better public sector efficiency, rule of law and adequate, accessible infrastructure provision are equally important to save resources, access markets and create conditions for businesses to invest in innovation, in particular, but not only in emerging-market economies.

Where countries have tended to lag behind is product market reforms. Reforms are often difficult and granular in implementation, but opening up markets to entry, competition and foreign trade and investment are essential for innovation, the diffusion of digital technologies and ultimately productivity growth and social inclusion. Such reforms remain among the most frequent *Going for Growth* priorities.

Going for Growth guides policy makers where to focus their reform efforts for the well-being of their citizens and to achieve strong, sustainable, balanced and inclusive growth. However, some priorities require a co-ordinated effort by all countries. Examples include trade openness, intellectual property rights, taxation of multinational enterprises, migration, climate change, oceans and waste. As such, they are a useful reminder of the benefits of multilateral co-operation.

Growth has to be environmentally sustainable

Responding to the urgency of climate change and to the Paris agreement, this edition of *Going for Growth* includes an environment sustainability angle for the first time. Around the world, environmental pressures are mounting, posing a threat to the sustainability of gains in growth and well-being. Tackling air pollution, climate change and other key environmental problems have to be part of a sustainable growth strategy. As a result, most countries, including key global polluters, have reform priorities and recommendations that address both growth and environmental bottlenecks.

The time for reform is now, for better lives today and for future generations!



Laurence Boone
OECD Chief Economist
12 July 2019.

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ISO codes

| | |
|-----|-----------------|
| ARG | ARGENTINA |
| AUS | AUSTRALIA |
| AUT | AUSTRIA |
| BEL | BELGIUM |
| BRA | BRAZIL |
| CAN | CANADA |
| CHL | CHILE |
| CHN | CHINA |
| COL | COLOMBIA |
| CRI | COSTA RICA |
| CZE | CZECH REPUBLIC |
| DNK | DENMARK |
| EST | ESTONIA |
| UE | EUROPEAN UNION |
| FIN | FINLAND |
| FRA | FRANCE |
| DEU | GERMANY |
| GRC | GREECE |
| HUN | HUNGARY |
| ISL | ICELAND |
| IND | INDIA |
| IDN | INDONESIA |
| IRL | IRELAND |
| ISR | ISRAEL |
| ITA | ITALY |
| JPN | JAPAN |
| KOR | KOREA |
| LVA | LATVIA |
| LTU | LITHUANIA |
| LUX | LUXEMBOURG |
| MEX | MEXICO |
| NLD | NETHERLANDS |
| NZL | NEW ZEALAND |
| NOR | NORWAY |
| POL | POLAND |
| PRT | PORTUGAL |
| RUS | RUSSIA |
| SVK | SLOVAK REPUBLIC |
| SVN | SLOVENIA |
| ZAF | SOUTH AFRICA |
| ESP | SPAIN |
| SWE | SWEDEN |
| CHE | SWITZERLAND |
| TUR | TURKEY |
| GBR | UNITED KINGDOM |
| USA | UNITED STATES |

Executive summary

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

The time for reform is now

Slow growth, high global uncertainty and perceptions of a lack of equality of opportunity should prompt policy makers to act in order to revive the global economy. The weakening of

growth comes at a time when globalisation, digitalisation, population ageing and environmental degradation are key forces shaping economic developments. Addressing domestic reform priorities is a necessary condition for making the most of such megatrends and requires governments to carefully select, prepare, prioritise and implement structural reforms.

In times of weakening global growth there is a case for prioritising reforms that boost short-term demand. This can be done by combining reforms in packages, appropriate sequencing as well as co-ordinating with macroeconomic policies.

Going for Growth advises how to achieve strong, inclusive and sustainable growth

***Going for Growth* identifies the Top 5 national reform priorities for the coming two years.**

Pursuing this country-specific policy agenda will boost productivity, employment and incomes across the distribution in OECD countries and key emerging-market economies in the medium-to-long term. The reform priorities are identified using a combination of quantitative analysis and OECD country-specific expertise (Box A). *Going for Growth* also provides detailed policy recommendations on how to address each of the Top 5 priorities and tracks recent reforms in these areas.

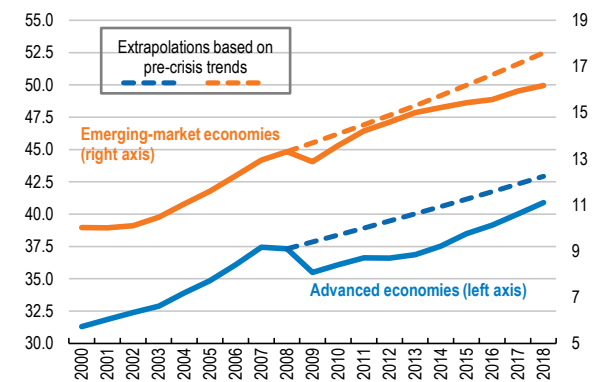
The scope of *Going for Growth* has widened over the years, reflecting OECD's increasing focus on the quality of growth. In 2017, the inclusiveness dimension was integrated in the *Going for Growth* framework. In this 2019 edition the environmental sustainability of growth has become part of the process of selecting national priorities and recommending actions.

Reviving productivity growth is crucial for boosting incomes in the long term

More than ten years after the global financial crisis GDP per capita in the majority of countries is on a lower growth path as compared to pre-crisis trends (Figure A). This mainly reflects weaker productivity growth (Table A). In many countries, particularly advanced economies, the contribution of labour utilisation (hours worked per capita) to GDP growth has been relatively strong due to rising labour force participation, in particular of older workers. While there is scope to further boost labour force participation, productivity growth will be crucial to sustain increases in living standards in the longer term.

Figure A. GDP per capita is on a lower growth path than before the crisis

GDP per capita in thousands USD, constant 2010 prices and PPPs



Source: OECD, Economic Outlook Database.

StatLink <https://doi.org/10.1787/888933954116>

Table A. Productivity growth has been slowing

Rate of growth, in %

| | Labour productivity | | | Labour utilisation | | |
|---------------------------|---------------------|---------|---------|--------------------|---------|---------|
| | 1995-2001 | 2002-08 | 2012-18 | 1995-2001 | 2002-08 | 2012-18 |
| Advanced economies | 2.4 | 2.0 | 1.0 | 0.7 | 0.8 | 1.1 |
| Emerging-market economies | . | 4.1 | 2.1 | . | 0.3 | 0.1 |

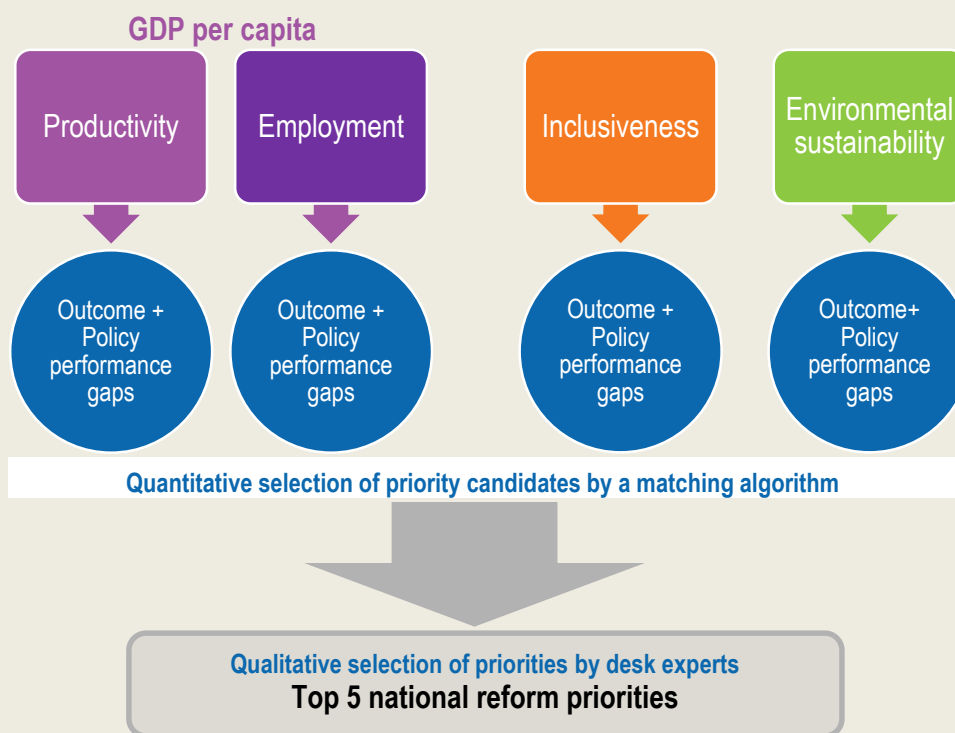
Note: Simple averages.

Source: OECD, Economic Outlook and Productivity Databases.

Box A. *Going for Growth* reform priority selection: A combination of quantitative analysis and country-specific expertise

The *Going for Growth* framework is anchored in a decomposition of GDP growth into labour productivity and labour utilisation. Since 2017, two new dimensions have been added to the *Going for Growth* exercise. These are inclusiveness and, in the current 2019 edition, environmental sustainability. The new dimensions rely on dashboards of the best available outcome and policy indicators to guide the identification of national priorities.

The identification of Top 5 priorities to boost longer-term living standards relies on a combination of quantitative analysis and country-specific expertise to identify the policy priorities (see Diagram).



In the first step, indicators of economic outcomes (e.g. total factor productivity growth or female employment) are linked in pairs to relevant policies addressing them based on empirical evidence (e.g. anti-competitive product market regulation or childcare-related costs in the tax and benefit system). Then, an outcome-policy pair is compared to the OECD average to identify poor performance on both policies and outcomes.

In a second step, OECD country-specific expert judgement is used to select the actual Top 5 priorities. Priority candidates identified in the first, quantitative step, are compared with other areas relevant for growth, which may not have been well measured or not straightforward to compare. For each of the Top 5 priorities, detailed reform recommendations are formulated and actions on them are reported.

The productivity slowdown goes back to before the crisis. But since the crisis, it has become more pronounced and more widespread

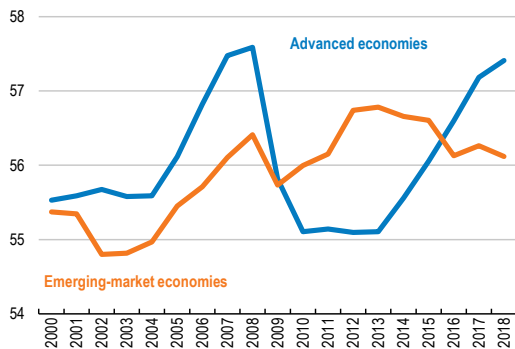
(Table A). Weak productivity growth is due to both lower investment and lower multi-factor productivity growth. Structural explanations

include a decline in business dynamism, a slowdown in investment in knowledge-based capital and in the diffusion of new technologies and management practices from best-performing firms, as well as persistent skill mismatches.

Employment rates are close to pre-crisis levels, yet not enough people are employed in good quality jobs (Figure B). Unemployment rates are close to historically low levels in many countries, with signs of labour shortages, particularly for high-skilled workers. Still, unemployment remains high in some countries (e.g. Greece, Spain, France, Italy and Turkey). In addition, the quality of jobs has not kept up with the quantity, as a significant share of new jobs, particularly in Europe, are involuntary part-time or on fixed-term contracts with more limited social protection. Informality is significant in most emerging-market economies.

Figure B. Employment has been recovering strongly in most advanced economies

Employment to population ratio, %



Notes: ILO modelled estimates. 15 years old and over.

Source: ILO, Key Indicators of the Labour Market Database.

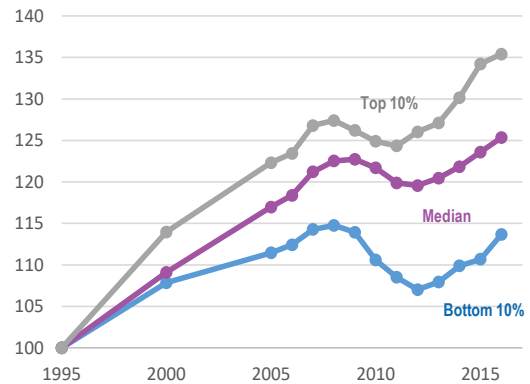
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In many advanced economies, low-income households have seen their real incomes stagnate or even fall over the past decade (Figure C). This was the case in particular in European countries hit hard by the crisis.

More generally, over the past two decades, in many OECD countries average wage growth has not kept up with productivity growth, and low and median wages have lagged even further behind, contributing to rising wage inequality.

Figure C. In many OECD countries, low-income households have seen little income growth since the crisis

Index 1995 = 100



Note: Unweighted average for 19 OECD countries.

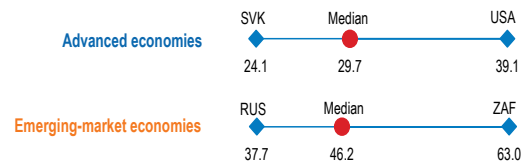
Source: OECD (2019), Under Pressure: The Squeezed Middle Class.

StatLink <https://doi.org/10.1787/888933954154>

In many emerging-market economies poverty and inequality have fallen in the past decade, but they remain high (Figure D). Looking forward, durable reductions in inequality in both advanced and emerging-market economies require all individuals to have equal opportunities to access education, health care and formal jobs.

Figure D. Inequality is still very high, in particular in emerging-market economies

Gini coefficient, disposable income



Notes: Emerging-market economies exclude India and Indonesia. 2016 or last available year.

Source: OECD, Income Distribution Database; World Bank, World Development Indicators; China National Bureau of Statistics.

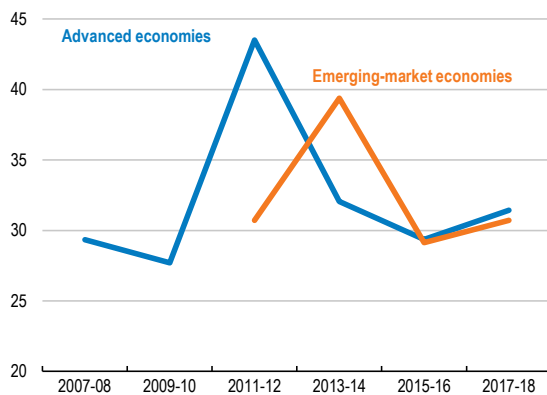
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The pace of reforms is not fast enough

The take-up of structural reforms has moderated. In the aftermath of the global crisis the appetite for reform was high. Responding to the urgency and acting in combination with monetary and fiscal support, both advanced and emerging-market economies stepped up reform action (Figure E). While the benefits of these reforms are still materialising, the pace of reform has receded and stabilised at pre-crisis levels, implying a lost opportunity to boost growth.

Figure E. The pace of structural reforms is below the post-crisis peak

Responsiveness rates to *Going for Growth* recommendations, %



Note: Simple average across countries.

StatLink  <https://doi.org/10.1787/888933954192>

The moderate reform pace in 2017-18 masks diverging cross-country developments

In advanced economies, recent reforms focused on fostering full-time employment and labour market participation, for example through increased provision of quality childcare and reducing tax wedges. For example, the Czech Republic, Germany and Japan have continued to expand childcare facilities. Japan and Korea

passed new legislation aimed at limiting overtime work and improving work-life balance.

Reforms to boost formal employment, including of women, have been pursued in emerging-market economies. These include improving skills and training, labour mobility and social security, reducing tax wedges on labour income, simplifying minimum wages and improving wage bargaining. For example, in 2018 Costa Rica implemented its National Strategy to Transition to a Formal Economy and slightly reduced the number of minimum wage rates. In the area of health and social security coverage, China made progress on bridging the rural/urban divide in its health system by increasing the portability of health insurance, while India launched a national health protection scheme targeting 100 million poor families.

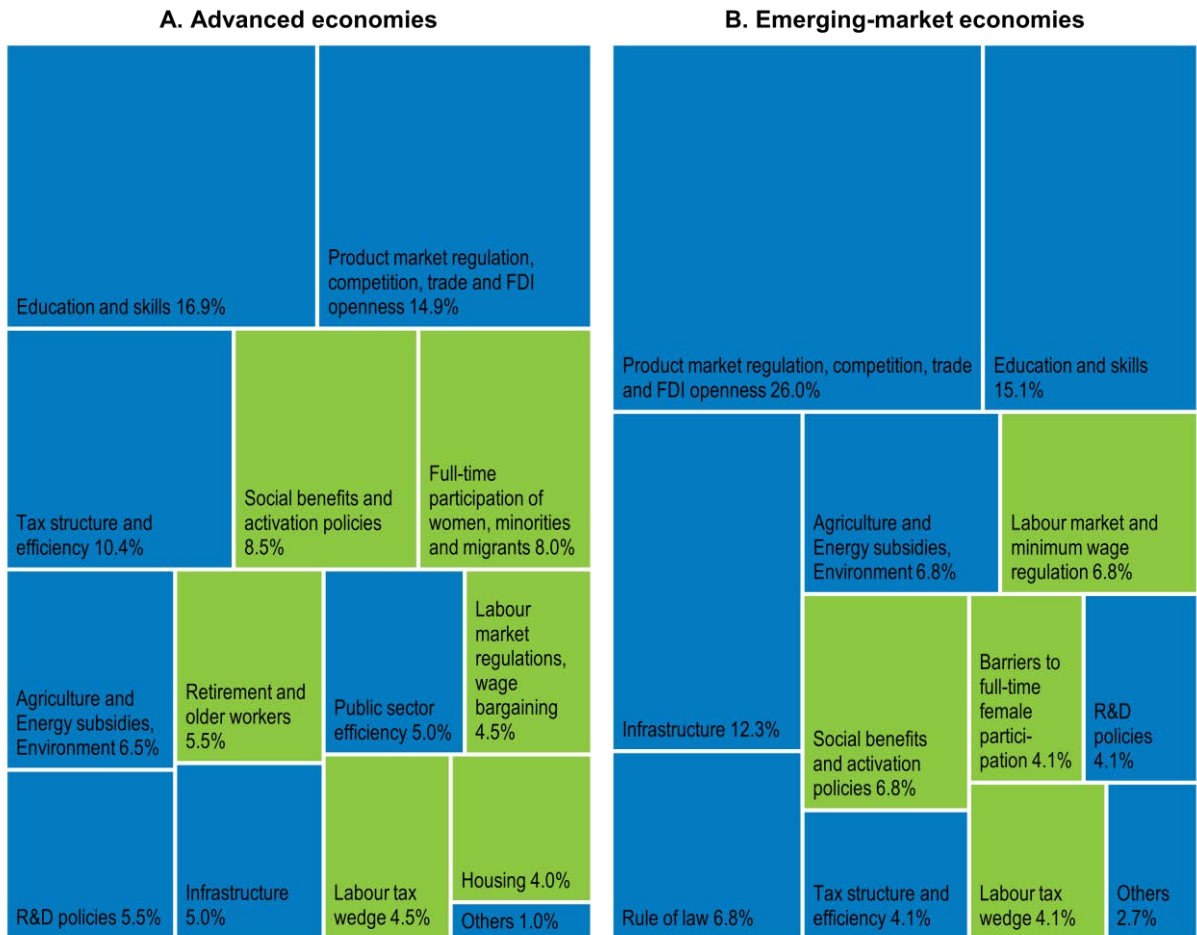
Important labour market reforms were adopted in France, in particular regarding collective wage bargaining, unemployment benefits and job search controls. Greece and Italy rolled out nationwide anti-poverty benefit schemes.

There has been a significant increase in reforms of tax systems and tax collection, including the introduction of the Goods and Services tax in India, progress on the reduction of provincial revenue-based taxes in Argentina and lowering of corporate taxation in the United States. Poland, Spain and Greece took significant steps to improve revenue collection, particularly through increased use of ICT in filing and tracking systems, as well as by improving enforcement.

Pro-growth policies should be designed so that they promote equal opportunities

Going for Growth 2019 lists the main forward-looking reform priorities (Exhibit 1). A cross-cutting theme in the 2019-20 Top 5 reform priorities to boost growth is to ensure the equality of opportunities, both across the population and across firms.

Exhibit 1. Going for Growth 2019 priorities across main policy areas



Note: The blue boxes indicate priorities primarily targeting labour productivity and the green ones indicate priorities primarily targeting labour utilisation. This distinction is only approximate, as many priority areas, e.g. education, can impact both labour productivity and labour utilisation.

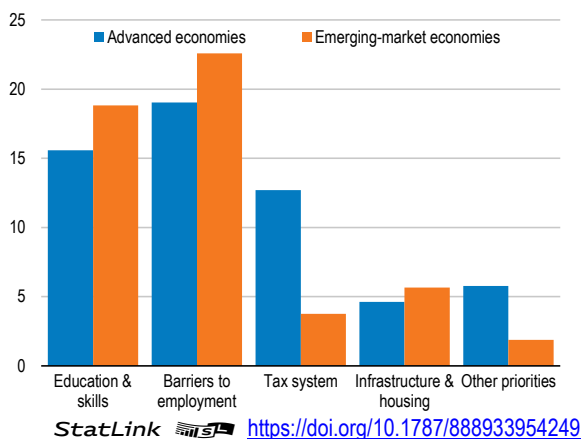
StatLink  <https://doi.org/10.1787/888933954211>

For current and future workers, many reform priorities aim at providing equal access to education, training and jobs, regardless of background. In particular, priorities to improve the quality and accessibility of education, including vocational training, have gained prominence in *Going for Growth* over the years and are now among the top priorities in both advanced and emerging-market economies (Figure F).

The recommendations include measures to improve the quality of education and its responsiveness to current and future skills demand, in particular in vocational training (e.g. Brazil, Chile, Costa Rica, France, Greece, Hungary, Italy, Lithuania and Spain). Access to primary and higher education is also among the top ranking priorities to improve the inclusiveness of the education system for disadvantaged groups – in particular native populations – in countries like Australia, Mexico, New Zealand and the Slovak Republic.

Figure F. Reforms in many priority areas will improve the equality of opportunity for workers

Main priority areas that would directly improve the equality of opportunities for workers, % of total 2019 priorities



Enhancing incentives for women to fully participate in the labour market is also high on the agenda, particularly in advanced economies. This is the case, for example in Korea and Japan, where the challenge of rapid population ageing is particularly pressing. Recommendations include improved childcare provision, parental leave

policies and phasing out joint income taxation of spouses. A better design of social protection and benefit schemes, and activation policies are crucial to make sure that incentives and opportunities to work are preserved for often disadvantaged groups, such as younger and older workers, minorities and migrants (e.g. Belgium, Denmark and Sweden). A key set of priorities concerns reducing labour market dualism and encouraging formal employment in emerging-market economies.

Finally, a well-designed tax and benefit system prevents high wealth and market income inequality from translating into high inequality in disposable income and, in turn, into the inequality of opportunities. In this respect, shifting away from taxes on labour, especially on low incomes, towards the taxation of property is a priority in countries such as Austria, Denmark, Latvia and Norway. Also reforming the tax and transfer system to remove disincentives to work is a priority in Finland, Iceland, Ireland, Poland, the Slovak Republic and Slovenia.

A level playing field for firms will foster competition, innovation and productivity

Opening up markets to entry, competition and foreign trade and investment remains among the most frequent *Going for Growth* priorities across countries, even if it is less prevalent than some 15 years ago.

In this respect, key recommendations include reducing economy-wide administrative burdens and the strengthening of competition laws and administration, as for example in Belgium, Greece, Mexico and the European Union. Reducing barriers to entry and competition in network sectors (energy, telecommunications and transport), professional services (in particular in advanced economies) and retail trade are also high on the agenda (e.g. in Austria, Canada and Luxembourg). Lowering implicit and explicit barriers to trade and FDI is a priority in particular in emerging-market economies.

Addressing infrastructure bottlenecks and improving access to public services are important priorities

in both advanced and emerging-market economies. Efforts in these areas can expand the possibilities for individuals, firms, cities and regions to access markets and to improve growth and living standards. For example, improving transport infrastructure is a priority for many advanced and emerging-market economies, while improving access to high-speed broadband is a key recommendation for Germany and the United States. Water, sanitation and electricity infrastructure are crucial to boost inclusive growth in India. Infrastructure investment is recommended as a means to reduce regional development differences in emerging-market economies like Argentina, Brazil, Colombia, Indonesia, as well as in advanced economies such as in Germany, the United Kingdom and the United States.

Finally, a sound judiciary system and a strong rule of law are conditions for the effective implementation of reforms and in particular for ensuring a more level playing field. This is a key priority in China, Greece, Indonesia, Italy, Mexico, and Russia. Recommendations span measures to fight corruption, strengthen and streamline judicial procedures, and improve public procurement, particularly in advanced economies.

Innovation policies need to support radical innovation and the diffusion and adoption of new technologies. More competition can provide incentives and conditions for innovation and in particular the diffusion of technologies to laggard firms. In parallel, public innovation support is high on the priority list for both advanced and emerging-market economies. Examples include improving collaboration between businesses and education and research centres (e.g. Colombia, Estonia, Lithuania, Portugal), reassessing the effectiveness of available support, improving the co-ordination between different public bodies involved in innovation policies, and striking a better balance between R&D subsidies and tax incentives (e.g. Czech Republic, Ireland, the Netherlands, New Zealand, Spain and the United Kingdom).

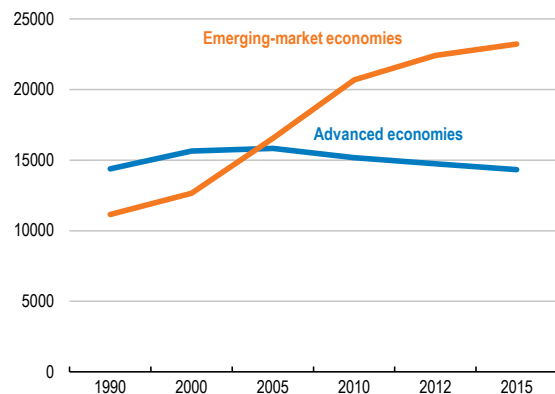
Growth has to be environmentally sustainable

Crucially, the gains in growth and well-being need to be sustainable in the long term.

The natural environment, which underpins the very foundations of any economic activity and life itself, is under increasing pressure. Urgent action is required now to prevent environmental degradation and its associated long-term effects. For example, air pollution is contributing to millions of premature deaths annually worldwide. Greenhouse gas emissions are off track from the globally-agreed zero net emission targets for the second half of the century (Figure G). Other pressing areas include waste, oceans and biodiversity loss.

Figure G. Curbing greenhouse gas emissions is a major challenge

Greenhouse gas emissions from fuel combustion (Mt of CO₂ equivalent)



Source: International Energy Agency, Energy Database.

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For the first time, the 2019 *Going for Growth* explicitly includes environmental sustainability considerations

when setting national priorities and recommending policy actions. As a result, 11 countries and the European Union have an explicit reform priority to address environmental performance. For example, tackling pollution is now among the Top 5 policy priorities in China. In Australia and the European Union climate change mitigation is a priority. Turkey, Iceland and Japan have general

priorities on environmentally-sustainable growth, while Estonia, Israel, India, Luxembourg and Poland have priorities related to more environmentally-sustainable infrastructure investment and use. Indonesia has a priority on phasing out fossil fuel subsidies.

Additionally, many countries have pro-growth priorities where the recommended reform actions would improve the environmental sustainability of growth.

The detailed recommendations that can improve the environmental sustainability of growth include increasing reliance on environmental taxation (e.g. Austria, Canada, Germany, Finland, Iceland, Japan and Poland) and the pricing of infrastructure use, access and related environmental externalities (e.g. India, New Zealand, the United Kingdom and the United States). The European Union and several advanced economies have priorities to phase out subsidies to agricultural production, in particular those that encourage intensive agriculture. To the extent that such reforms may have adverse distributional impacts, they will need to be combined with adequate compensatory measures. Additionally, improving public transport, investment in more sustainable energy or water infrastructure is recommended in Costa Rica, Greece, India, Turkey, the United Kingdom and the United States.

Domestic reforms need to be combined with multilateral action

In a number of cases, to ensure efficient and effective outcomes domestic policies need to be supported by multilateral co-operation. Prominent examples where efforts to restore a multilateral, rules-based system are crucial include climate change, tax evasion and profit shifting, competition, trade and migration.

1 Overview of 2019 *Going for Growth* Priorities

Slowing growth and increasing global uncertainty should not divert policy makers' attention from longer-term objectives of improving incomes and well-being. Addressing such long-term objectives requires implementing key structural reforms. This chapter presents an overview of the Top 5 reform priorities and recommendations for OECD member and key non-member states. Two cross-cutting themes can be identified: improving the equality of opportunities for workers and firms and securing the environmental sustainability of gains in growth and well-being. Country-specific information supporting this chapter is available in the country notes (Chapter 4).

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

In Brief

The time for reform is now

The global growth slowdown is largely a cyclical development. However, the slowdown and increasing uncertainty come at a time when globalisation, digitalisation, demographics and environmental degradation are key forces shaping economic developments. To make the most out of these challenges policy makers need to address domestic reform priorities, with a tailor-made structural reform agenda. Such an agenda requires packaging and sequencing policies to offset potential short-term costs, particularly on the most vulnerable and to build support for reforms.

Going for Growth identifies Top 5 structural reform priorities to boost growth in an inclusive way in OECD member and key non-member economies. The priorities are selected using quantitative analysis and qualitative OECD expertise. For each reform priority, policy recommendations are put forward and recent reforms are reported. *Going for Growth 2019* integrates green growth to account for the environmental sustainability of growth.

In both advanced and emerging-market economies, the most prevalent priorities to be addressed by reforms are in the areas of skills and education and product market regulation, competition and trade and FDI openness. In emerging-market economies, the majority of labour market priorities tackle the policy-related causes of informality and labour market duality. In advanced economies, a significant share of labour market priorities target reducing barriers to full-time labour market participation of women, older workers, migrants and minorities. A more growth-friendly tax mix is a priority in many advanced economies, with emphasis on increasing the share of revenues coming from the taxation of property, consumption and environmental externalities.

The provision of accessible, quality infrastructure and its efficient use are key priorities, in particular in emerging-market economies. Delivering on these priorities cost-efficiently will not only boost economic growth, but improve its inclusiveness and in some cases environmental performance. Securing the rule of law, fighting corruption and improving the efficiency of the judicial system are priorities in both emerging-market and selected advanced economies. Addressing them is necessary not only for growth itself, but also for the ability to successfully implement other structural reforms.

A large share of 2019 *Going for Growth* priorities can be seen as improving the equality of opportunities among current and future firms and workers. This concerns priorities to lower entry barriers, improve market access and ensure a more level playing field in product and service markets, education and skills policies and policies to increase the inclusiveness of the labour market.

Overall, 11 countries and the European Union have priorities addressing environmental pressures among their Top 5 priorities. A large number of countries have reforms recommended to boost growth that can also reduce pollution and environmental degradation. Nevertheless, environmental sustainability remains a global concern and needs to be addressed through a combination of domestic and multilateral action.

Introduction

More than ten years after the onset of the global financial crisis, global growth is fragile. The prospects for strong and sustained improvements in living standards in the medium term remain weaker than prior to the crisis in both advanced and emerging-market economies, reflecting unfavourable demographic trends and the consequences of a decade of subdued investment and productivity growth. Uncertainty is high and poverty and inequality pressures loom, with many countries experiencing a prolonged stagnation of incomes of the poorest and a decline in the wage share (Pak and Schwellnus, 2019). In some countries, there is a growing perception that equality of opportunities and social mobility have declined. At the same time, environmental pressures are rising. Economic growth and higher living standards imply evolving lifestyles, production and consumption patterns, all of which will have consequences for the environment and the resources it provides and hence the sustainability of growth and well-being.

The cyclical developments should not divert attention from long-term objectives and structural reforms needed to achieve them. Yet, they may affect the emphasis in the design and implementation of reform packages. For example, where demand is particularly weak, and fiscal space permits, governments may need to do more to complement structural efforts with fiscal stimulus. Examples include investing in infrastructure, especially digital, transport and energy, enhancing people's skills, and more generally implementing policies that favour equal opportunities (OECD, 2019).

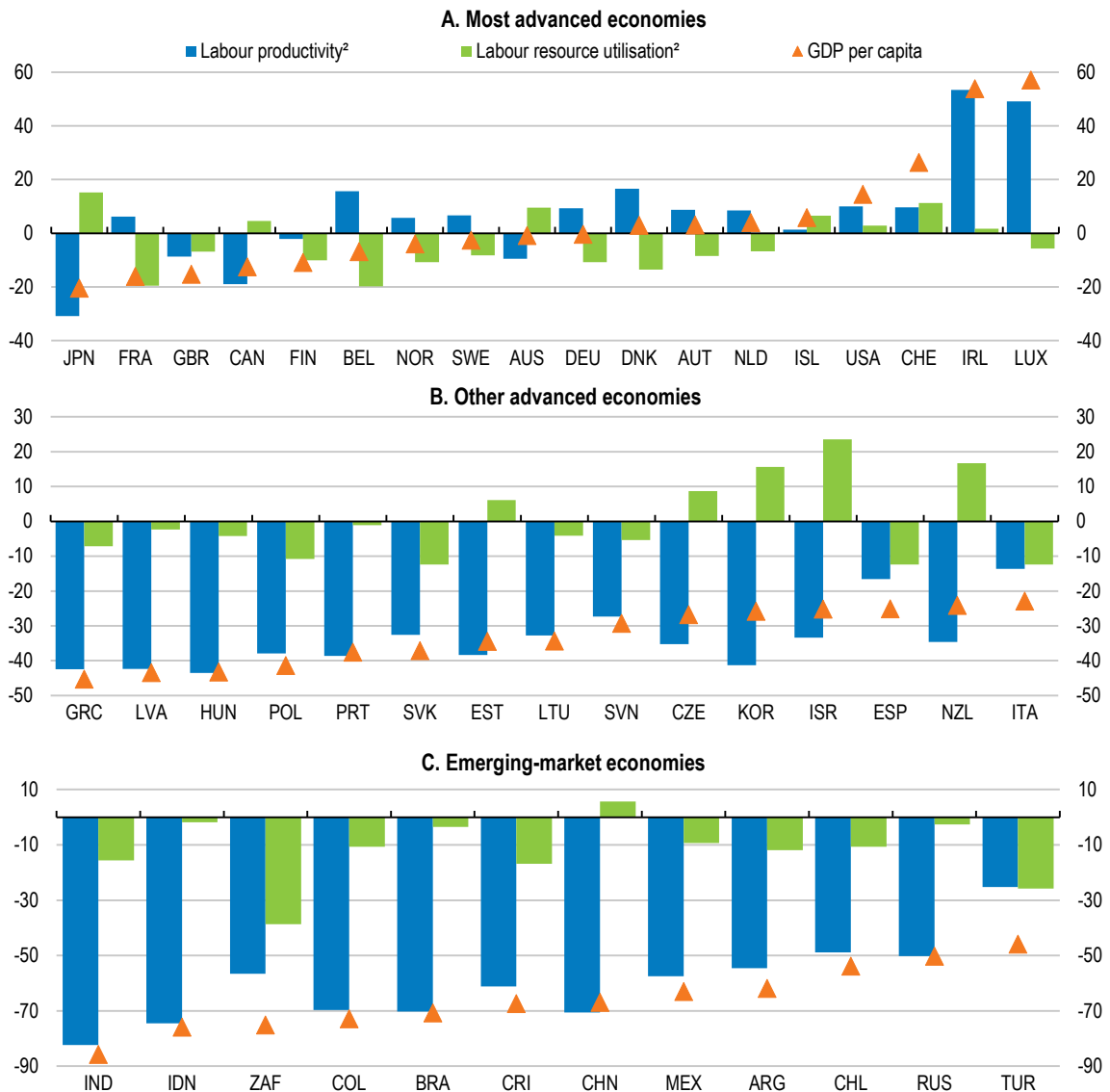
To meet these challenges, *Going for Growth* identifies the Top 5 structural reform priorities essential for achieving a high growth path, in a way that is both inclusive and sustainable. This Chapter first briefly summarises cross-country differences in productivity, employment and inequality in order to understand each country's specific performance weaknesses. It then presents an overview of the country-specific policy reform priorities and recommendations to address them. Chapter 2 reports on actions taken on the 2017-18 priorities. Chapter 3 provides details on and the results of the integration of selected dimensions of environmental sustainability into the priority selection framework – a novelty in the 2019 *Going for Growth* edition. Finally, Chapter 4 provides the country-specific *Going for Growth* Country Notes with details on reform priorities, recommendations and actions taken.

A snapshot of cross-country challenges in 2019

Countries covered in *Going for Growth* exercise exhibit large variation in GDP per capita, which is largely explained by differences in productivity for most countries (Figure 1.1). In Estonia, Israel, Korea, Japan, New Zealand and China, low productivity is coupled with relatively high labour utilisation. In contrast, in many advanced European countries, such as Belgium, Denmark, France and Germany, relatively low labour utilisation is offset by high productivity. Countries lagging behind on both productivity and labour utilisation with respect to the most advanced OECD economies include Italy, Spain and emerging-market economies such as South Africa and Turkey.

Figure 1.1. Countries covered in *Going for Growth* exhibit large variation in GDP per capita

Compared to the upper half of OECD countries,¹ 2018



1. Compared to the weighted average using population weights of the 18 OECD countries with the highest GDP per capita in 2018 based on 2018 purchasing power parities (PPPs). The sum of the percentage difference in labour resource utilisation and labour productivity does not add up exactly to the GDP per capita difference since the decomposition is multiplicative. In the case of Luxembourg, the population is augmented by the number of cross-border workers in order to take into account their contribution to GDP. For Norway, data refer to GDP for mainland which excludes petroleum production and shipping. While total GDP overestimates the sustainable income potential, mainland GDP slightly underestimates it since returns on financial assets held by the petroleum fund abroad are not included.

2. Labour productivity is measured as GDP per hour worked. Labour resource utilisation is measured as the total number of hours worked over the population aged 15-74. Hours worked per person employed have been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Source: OECD, National Accounts, Productivity and Economic Outlook Databases.

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Cross-country differences in labour productivity

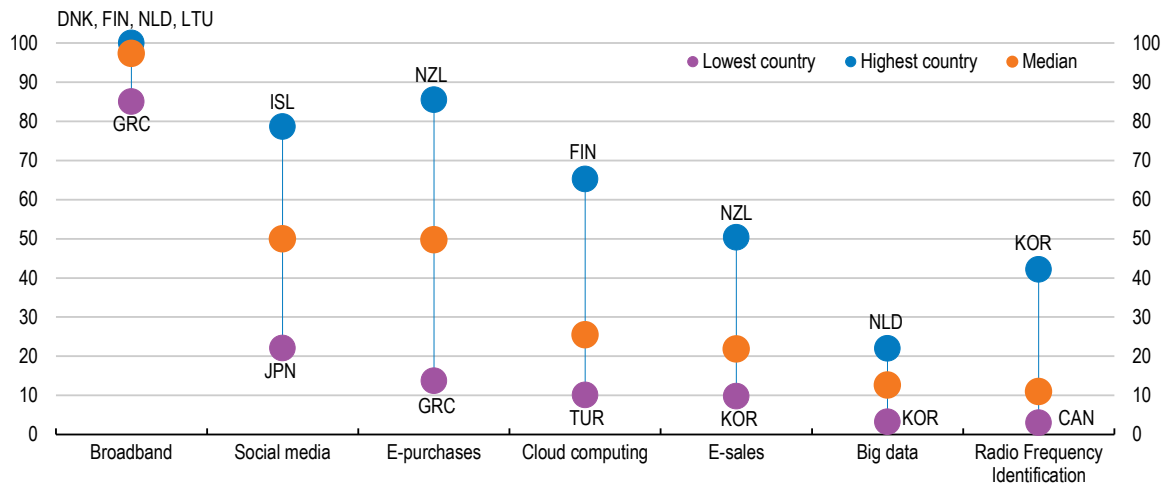
Overall, cross-country differences in labour productivity levels are explained by a combination of gaps with respect to the most advanced OECD countries in capital stock per worker and in total factor productivity (TFP). In most countries, the two gaps go together. The United Kingdom, Norway, Denmark, the Netherlands, Israel, Sweden and Germany have gaps in capital per worker, but high TFP levels. In contrast, in Korea and Japan TFP is relatively low while capital per worker is comparatively high.

In many countries TFP growth slowed already before the global crisis, since the crisis it has continued to be weak and become more widespread. Recent evidence has shown that the pre-crisis productivity slowdown masks a widening performance gap between more productive and less productive firms, especially in the services sector (Andrews et al., 2016). Several factors with well-identified policy drivers, contribute to these developments in productivity growth:

- *Skill mismatch and quality.* Skill mismatch is significant in many advanced economies. There are indications that working populations are poorly equipped with skills related to digital technologies (OECD, 2016). Low managerial quality, the lack of ICT skills and poor matching of workers with jobs can be associated with lower digital technology adoption (Andrews et al. 2018a). Skill mismatch is higher in the presence of more stringent product and labour market regulation, insolvency regimes that excessively punish failure and restrictive housing policies (e.g. high transaction costs, strict rent control and low responsiveness of housing supply to demand) which hinder the reallocation of workers to better match their jobs and skills (Adalet McGowan and Andrews, 2015) .
- *Weak business dynamism.* Declining business dynamism is a cause of concern for policy makers in many countries (Calvino and al., 2015). Business dynamism boosts productivity growth by facilitating the reallocation of resources from lagging, low-productivity firms towards more productive firms and strengthening the diffusion of new technologies. New firms are also often associated with bringing new technologies into the market, radical innovation and increasing pressure on incumbent firms to increase their productivity. Differences in employment protection legislation, bankruptcy regimes and R&D fiscal incentives are policy drivers that have been found to explain the heterogeneity in business dynamism across countries (Bravo-Briosca et al., 2013).
- *Technological adoption.* The incentives for technological adoption may have weakened, in the presence of weaker competitive pressures (Decker et al., 2017; Adalet McGowan et al., 2017; Gal et al., 2019). New technologies developed at the global frontier are increasingly global, but diffuse slowly to firms within countries. Many existing technologies may remain underexploited. This lack of diffusion can be illustrated by the low adoption rates of key technologies relevant for productivity growth (Figure 1.2). In most advanced economies virtually all firms are now connected to broadband internet, but the diffusion of more advanced tools and applications varies greatly across technologies and countries. A range of policies can support the diffusion and efficient use of digital technologies. These include pro-competition reforms in telecommunication sectors and regulatory frameworks that support investment and reallocation of resources to most productive uses, including through improved bankruptcy procedures. Training, especially of low-skilled workers can also improve the pool of skills available to firms, improving their ability to grow and adopt new technologies while facilitating the job-to-job transition in dynamic labour markets.

Figure 1.2. Diffusion of selected information and communications technology tools and activities in firms

As a percentage of enterprises with at least ten persons employed, 2018¹ or last year available



1. Broadband includes fixed and mobile connections with an advertised download rate of at least 256 Kbit/s. E-purchases and e-sales refer to the purchases and sales of goods or services conducted over computer networks by methods specifically designed for the purpose of receiving or placing orders. Cloud computing refers to ICT services over the Internet to access server, storage, network components and software applications. Radio frequency identification (RFID) is a technology that enables contactless transmission of information via radio waves. Data refer to 2016 for Australia, Japan and New Zealand; 2015 for Colombia, Korea and Switzerland; 2014 for Iceland; 2013 for Canada.

Source: OECD, ICT Access and Usage by Businesses Database.

StatLink  <https://doi.org/10.1787/888933954306>

Digitalisation can boost efficiency of production, reduce the costs of entry into global markets, and provide consumers with new and cheaper goods and services. However, it also poses a number of challenges for policy makers. Many digital technologies are characterised by low marginal costs combined with potentially high fixed investment costs and importance of intangible assets in particular data, intellectual property and networks (OECD, 2018a). The large economies of scale and scope can allow rapid upscaling and can be a challenge for maintaining competitive conditions and gains for the consumer. So-called ‘superstar’ firms with rapidly increasing market power and profits may raise implicit entry barriers and block potential competitors (Korinek and Ng, 2017; Calligaris, et al., 2018; De Loecker and Eeckhout, 2017; Andrews, et al., 2018). Such developments may require particular attention to market entry barriers, a reflection on the adequacy of existing competition policy tools and enforcement of the protection of intellectual property rights.

Labour utilisation and inclusiveness

Employment is crucial to make growth more inclusive (Hermansen et al., 2016). Employment rates are on average above pre-crisis level in advanced economies, which is partly due to cyclical conditions. In Germany, Hungary and Poland, among others, the increase in employment has been accompanied by a reduction in unemployment. By contrast in some other countries (e.g. Greece, Italy, Spain and France), unemployment remains high, well above pre-crisis levels. In the United States despite the longest job recovery in the post-war period, the employment rate is still below the pre-crisis level largely due to a withdrawal of prime-age male workers from the labour force in the past decade.

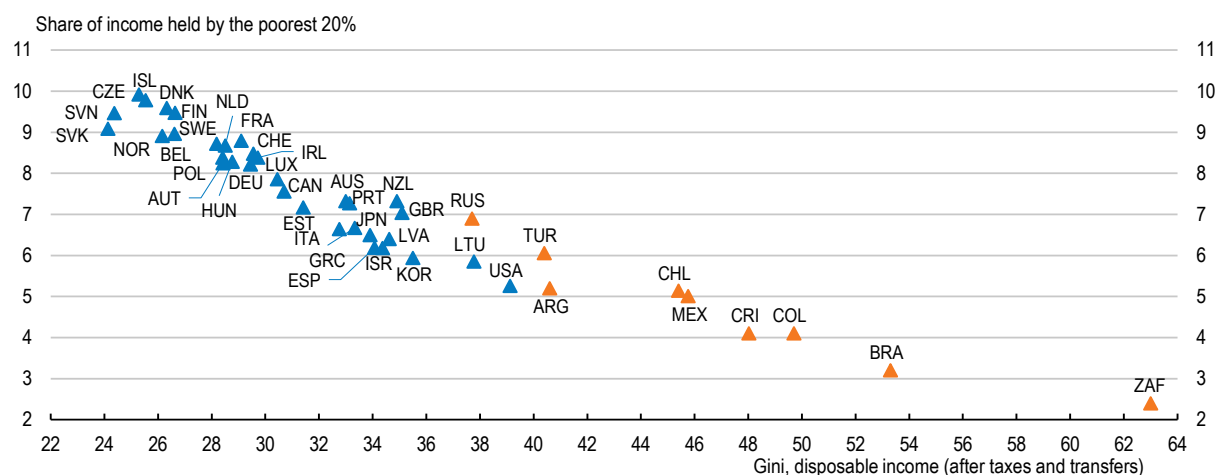
In many European countries, such as Austria, Denmark, Finland, Germany, Iceland, the Netherlands, Norway, Switzerland, the United Kingdom, and to a lesser extent in Belgium and France, the gap in labour utilisation compared to the best OECD performers is largely the result of low average hours worked per worker. Low hours worked often reflect policy impediments or disincentives to full-time work, especially for lone parents and second earners. For example, some features of tax and benefits systems, related to the joint income taxation of spouses or high implicit marginal tax rates due to the withdrawal of benefits as hours worked increase, can result in lower hours worked.

By contrast, in Greece, Italy, Poland, Spain, Slovak Republic, and also in Turkey, Costa Rica and South Africa and other emerging-market economies, the labour utilisation gap can be explained by a relatively low employment rate, while average hours worked per worker are relatively high. Weak aggregate employment rates are often driven by low employment of specific groups, such as younger workers, low-skilled, women, older workers and minorities. One reason is related to labour market dualism - the segmentation between workers with regular contracts with strong employment protection and those with contracts with little protection and little scope for on-the-job training. Other reasons for weak employment are related to the incentives for early retirement or inadequate skills.

The degree of inequality also varies significantly between and within advanced and emerging-market economies. Income inequality is one example (Figure 1.3). Another example is the equality of opportunities which is crucial for inclusiveness, fairness and the full utilisation of labour resources across the society. In a society where an individual's wage, education and occupation are strongly related to those of his or her parents, opportunities to succeed in life are unequal and this can lead to a waste of talent and productive capacity (OECD, 2018b).

Figure 1.3. The degree of income inequality differs substantially across countries

2016¹



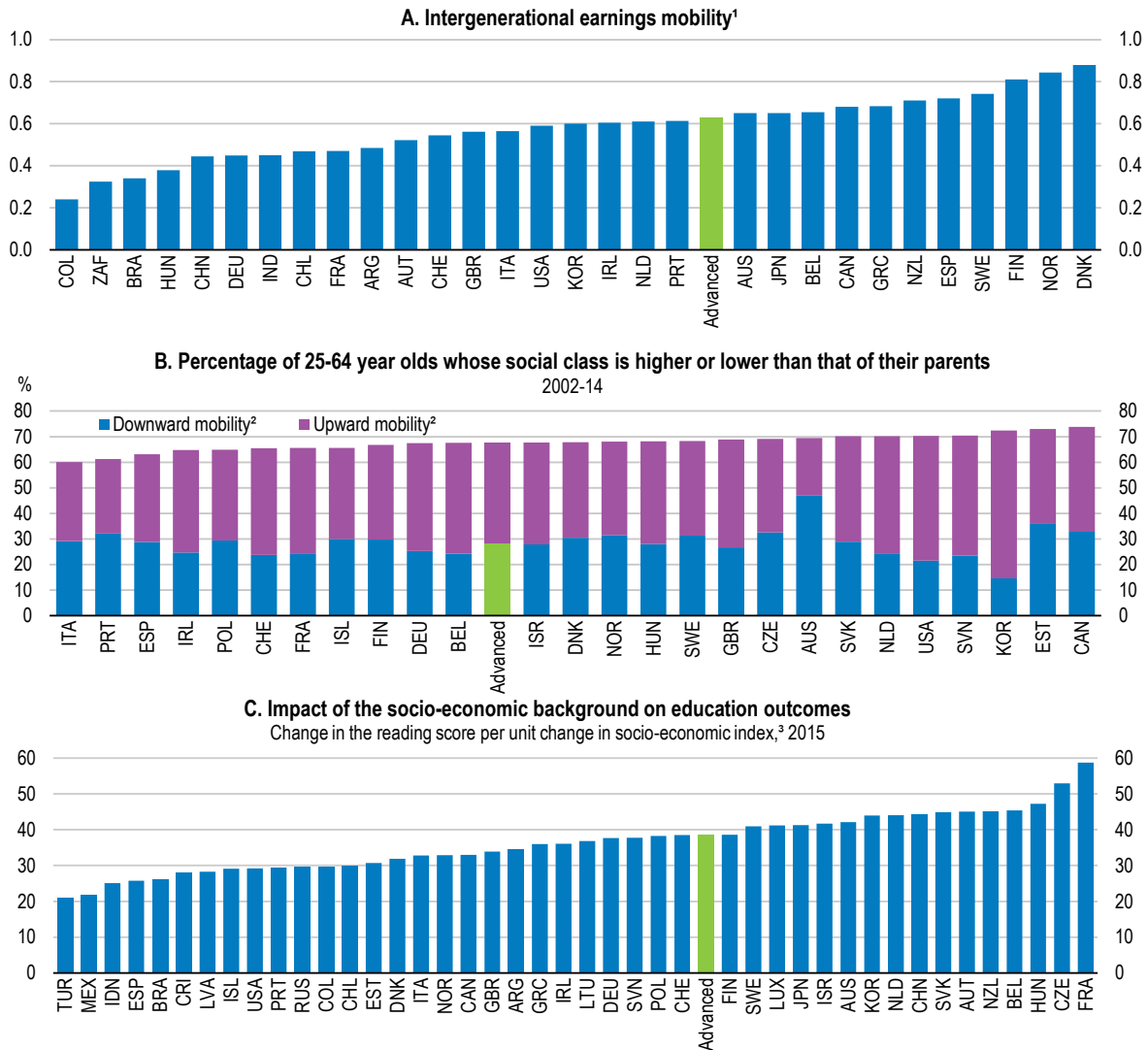
1. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality. Data refer to 2017 for Argentina, Brazil, China, Colombia, Costa Rica, Finland, Israel, Korea, Norway and Sweden; 2015 for Denmark, Iceland, Ireland, Japan, Switzerland, Turkey and Russia; 2014 for Hungary, New Zealand and South Africa.

Source: OECD Income Distribution Database and World Bank, World Development Indicators Database.

StatLink  <https://doi.org/10.1787/888933954325>

One dimension through which the equality of opportunities reveals itself is through social mobility - a multi-faceted concept that can be defined and measured by looking at incomes, health, education or occupation or social status (OECD, 2018b; Roemer and Trannoy, 2016). In terms of earnings, social mobility is high in most Nordic countries, Canada and New Zealand while it is relatively low in France, Germany and emerging-market economies (Figure 1.4, Panel A). Korea, the United States and the United Kingdom have high upward occupation mobility (Figure 1.4, Panel B), but relatively low mobility in education (Figure 1.4, Panel C) or earnings. In general, in many advanced economies with relatively low income inequality, particularly in Europe, individuals' education outcomes are strongly linked to their family background.

Figure 1.4. Social mobility varies across countries



1. Mobility is proxied by 1 minus the intergenerational earnings elasticity, which is defined as the sensitivity of an individual's lifetime labour income with respect to his father's income. Higher value indicates higher mobility.

2. Social class is based on the nine European Socio-Economic Classification (ESEC) categories constructed based on occupation. See Box 4.2 in OECD (2018), *A Broken Social Elevator? How to Promote Social Mobility*.

3. Defined as the estimated coefficient from the country-specific regression of PISA reading performance on corresponding index of economic, social and cultural status (ESCS). The ESCS is a composite score built by the indicators parental education, highest parental occupation and home possessions including books in the home via principal component analysis. The score has been transformed with zero being the score of an average OECD student and one being the standard deviation across equally weighted OECD countries.

Source: OECD (2018), *A Broken Social Elevator? How to Promote Social Mobility* and PISA Database.

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The extent to which individuals have the opportunity to improve their economic status depends on a host of factors, some related to the inheritability of traits (such as innate abilities), others to the family and social environment (Frank, 2016; Kearney and Levine, 2016). Some aspects of the social environment can be heavily impacted by policies. For example, policies can determine access to education and training through public support (e.g. via the tax and benefit schemes, provision and pricing).

A snapshot of cross-country reform priorities in 2019

Going for Growth identifies structural reform priorities to boost income growth, through higher productivity and employment. Key considerations in the *Going for Growth* framework is that economic growth needs to be inclusive and that the gains in growth and well-being need to be sustainable in the longer term. The identification of *Going for Growth* priorities is based on a combination of quantitative analysis of performance and policy weaknesses, and country-specific expertise (Box 1.1).

Overall, the key priority areas in *Going for Growth 2019* are similar to those of 2017, with a slight increase of priorities to boost productivity, in particular in emerging-market economies (Figure 1.5). About six out of seven of the 2017 country-specific priorities are retained from the 2017 edition, implying that most countries have not fully addressed these priorities. However, the detailed recommendations have evolved, reflecting actions taken throughout 2017-18, in order to focus on the remaining aspects of each priority. Of the 14% of priorities that are new in 2019, two thirds replaced 2017 priorities which have been dropped as they were addressed through significant reforms (Chapter 2). The rest have been dropped in response to new developments, new evidence or re-assessment of the situation in a country.

Box 1.1. The selection of policy priorities in the extended *Going for Growth* framework

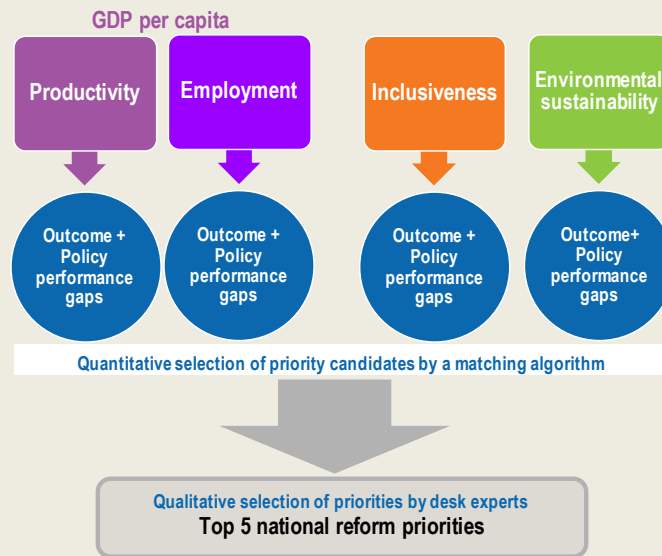
The *Going for Growth* framework identifies Top 5 reform priorities to boost longer-term living standards and to ensure that the gains are broadly shared across the population.

In order to identify the Top 5 priority challenges, the approach combines quantitative and qualitative insights (see Diagram below). Economic outcomes are matched with policies empirically proven to address them. For instance, multifactor productivity growth (performance indicator) is matched with specific areas of product market regulation such as administrative burdens on start-ups or barriers to entry in professional services (policy indicators). Aggregate employment (performance indicator) is paired with, for example, the labour tax wedge (policy indicator), while the employment rate of women (performance indicator) is matched with childcare related costs resulting from the tax and benefits system (policy indicator).

Performance is compared to the OECD average. An outcome-policy pair becomes a priority candidate in a given country if both the outcome and associated policy rank poorer than the OECD average. In the next step, OECD country expert judgement is used to select the Top 5 priorities among these identified candidates and other areas relevant for growth, which it may not be possible to properly measure or compare, and hence include in the matching process. For each of these priorities, detailed reform recommendations are formulated and actions on them are reported.

Since 2017, the inclusiveness dimension is an integral part of the *Going for Growth* exercise. The integration is based on a dashboard of inclusiveness indicators encompassing a number of income and non-income dimensions such as inequality and poverty, job quantity and quality drawing on the new OECD Jobs Strategy (OECD, 2018c), the labour market inclusion of vulnerable groups, gender gaps and equity in education. The set of inclusiveness indicators are matched with corresponding policy indicators where empirical research has shown a robust link, to determine joint policy-performance weaknesses. Along similar principles, in the current 2019 *Going for Growth* edition, green growth considerations have been integrated to address the issue of sustainability of the gains in growth and well-being (see Chapter 3).

The *Going for Growth* framework for identifying reform priorities

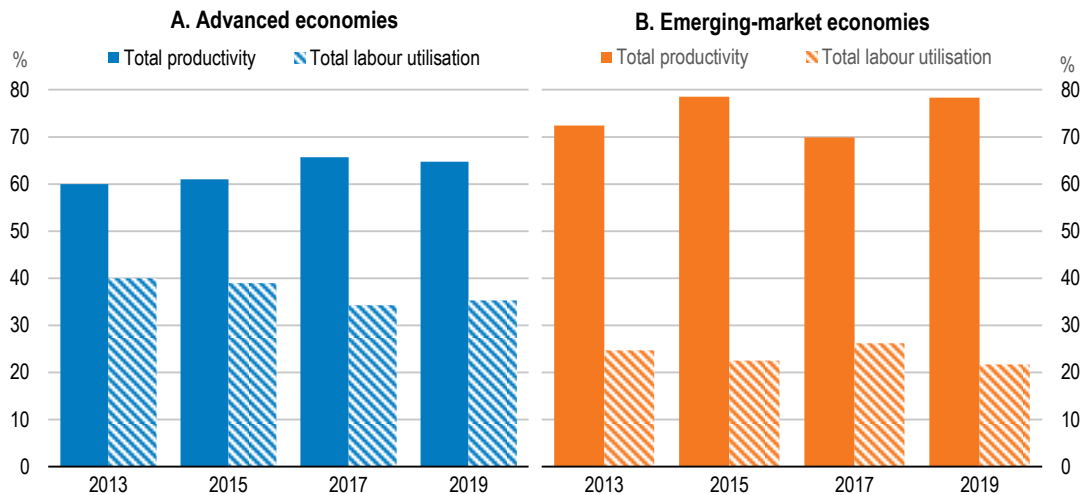


Note: Due to data constraints the identification of environment performance gaps based on policy-outcome pairs is supplemented with one based on pure outcomes (trends and levels).

Overcoming the data constraints is key to identifying robust empirical relationships between the various income and non-income dimensions of inclusive growth as defined in the recent OECD Inclusive Growth framework (OECD, 2018d) and their relationship with structural reforms. Work is underway to gradually integrate a comprehensive coverage of inclusive and environmentally sustainable growth in *Going for Growth*.

Figure 1.5. The share of priorities focusing on boosting productivity has risen slightly

As a percentage of total priorities



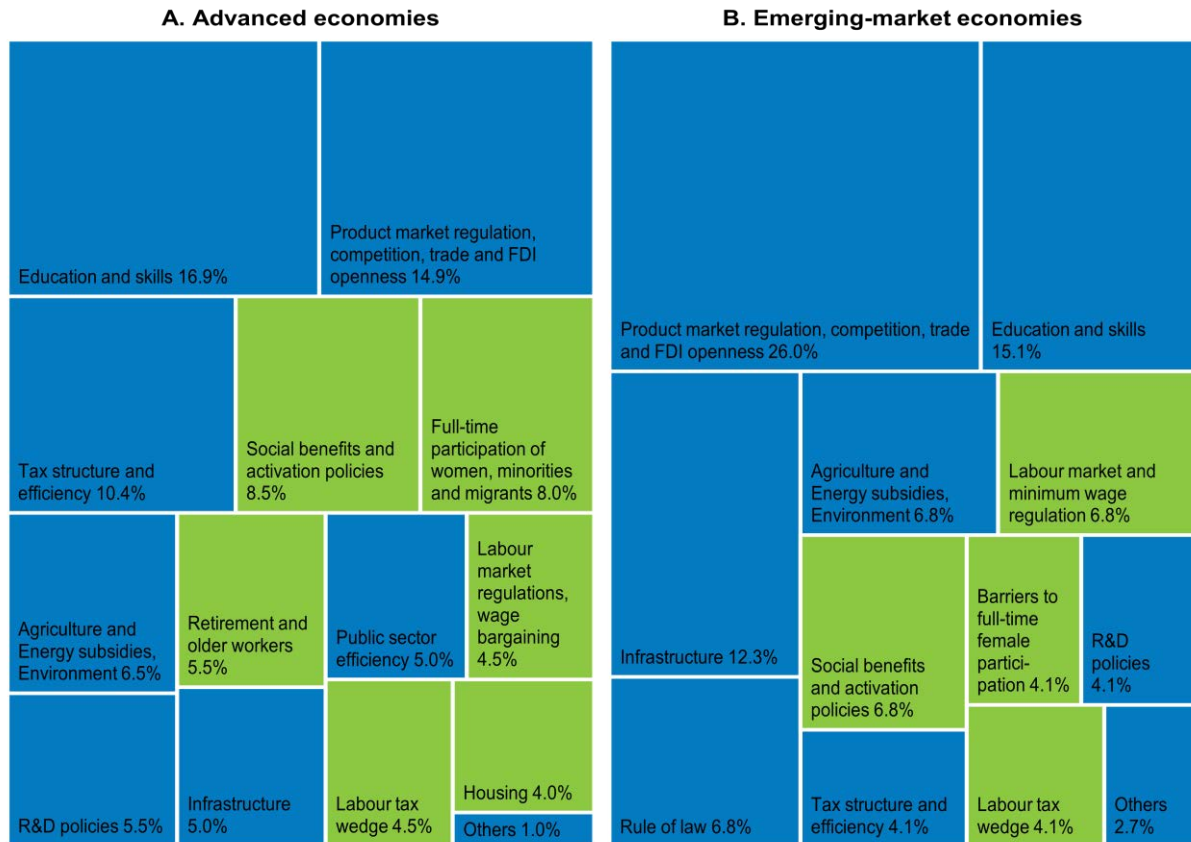
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In both advanced and emerging-market economies the 2019 priorities have a strong focus on competition in goods and service markets and openness to international trade and FDI (Figure 1.6). Improving quality and access to education are also key priorities in both advanced and emerging-market economies with potentially high impacts on future productivity and employment patterns. In advanced economies, the efficiency of the tax system, in particular a shift to property, consumption and environmental taxation, ranks high, together with more effective social benefits and activation policies and reforms to increase incentives for and lift obstacles to higher labour market participation of women, older-workers, migrants and minorities.

Improving the quality and accessibility of infrastructure and strengthening institutions to fight corruption are recurrent recommendations for durably boosting productivity in emerging-market economies. Many priorities such as extending the coverage of social protection systems, containing labour costs and relaxing overly strict job protection for workers in formal jobs are also intended to address labour informality and low employment in some of the emerging-market economies.

Going for Growth priorities over the years

Going for Growth has been identifying structural reform priorities and documenting progress since 2005. A comparison with the 2005 edition can give an idea on how the emphasis on different priority areas have evolved. The priority selection has changed somewhat over the years, and so has the country coverage. New policy areas have emerged as important, with new indicators to measure them and new evidence on impacts. The emphasis has shifted, for example as visible in the integration of new *Going for Growth* dimensions: inclusiveness and green growth. However, many priorities have been replaced as governments have responded to the main challenges by undertaking reforms.

Figure 1.6. *Going for Growth 2019* priorities across main policy areas

Note: The blue boxes indicate priorities primarily targeting labour productivity, and the green boxes indicate priorities primarily targeting labour utilisation. This distinction is only approximate, as many priority areas, e.g. education, can impact both labour productivity and labour utilisation.

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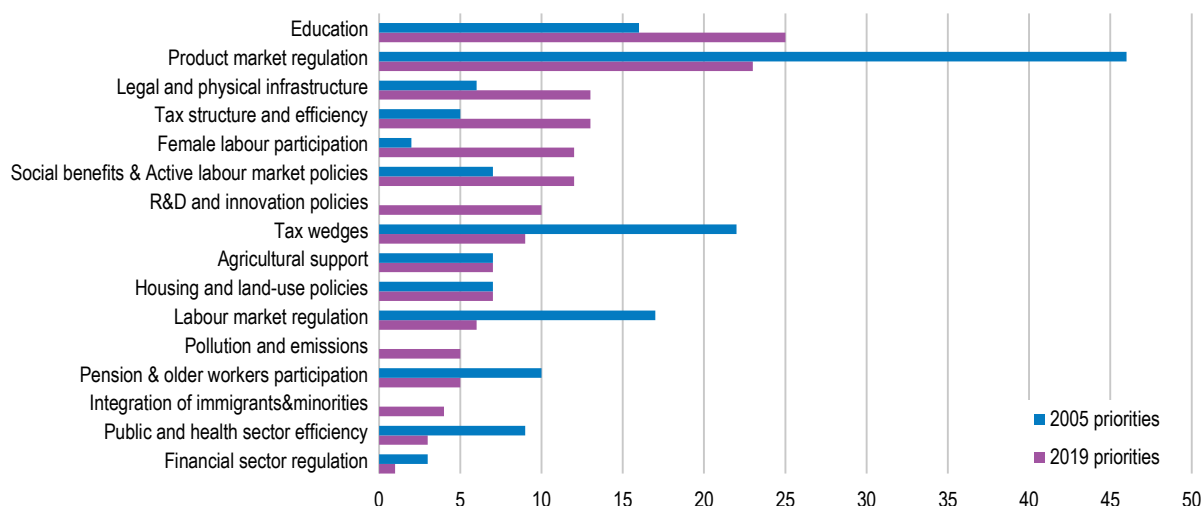
Product market regulation has remained among the most important priorities, but has lost relative prominence in the 31 OECD countries covered in 2005 (Figure 1.7). Extensive progress on reforms in regulation and competition have been documented in *Going for Growth*, and are visible in the convergence of OECD's Product Market Regulation (PMR) indicators over time (Koske et al., 2015; Vitale et al., 2019). As a result, product market regulation is now more frequent as a priority in emerging-market, most of which have only been included in *Going for Growth* recently.

Similarly, governments have made significant progress on reforming labour market regulation, reducing labour tax wedges, in particular for low-skilled workers and addressing older-worker incentives to participate in the labour market. In particular, some of these priorities were dropped in Central European countries where labour market performance has improved significantly in the last decades. Similarly, such priorities have been dropped or modified in Nordic countries, often due to reforms taken to address the employment prospects of specific parts of the workforce, e.g. older workers.

Several categories of reform priorities have become more common. For example, skills and education, public infrastructure and rule of law, as well as innovation, have gained prominence since 2005. Labour market related priorities are now focused more on labour market participation of women, activation policies, social benefits and improving the position of migrants and minorities on the labour market. Such changes are part of a longer-term process, not the least due to improvements of measurement and understanding of specific policy areas, and their increasing coverage in *Going for Growth*.

Figure 1.7. Some *Going for Growth* priority areas proved to be persistent challenges

Number of *Going for Growth* priorities across policy areas¹



1. Based on the sample of 31 OECD countries covered in *Going for Growth 2005*.

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Key policy recommendations for boosting inclusive and sustainable growth

The 2019 *Going for Growth* country-specific priorities and recommendations to address them are listed in the detailed Country Notes (Chapter 4). Based on these, common reform recommendations can be identified. They can be classified as reforms to boost business dynamism, unlock skills development and innovation potential for all, and support workers to make the most of a dynamic labour market. Implementing the recommended reforms can benefit the equality of opportunities and in a number of cases improve environmental sustainability.

Reforms to boost business dynamism

Businesses have a crucial role to play by providing employment opportunities, contributing to skills development and knowledge and technology diffusion, particularly in a context of rising global integration. Lifting barriers for businesses to enter and experiment with new ideas, compete and raise resources to grow, but also fail and exit if not successful are all requirements for boosting productivity growth, incentivising innovation and job creation.

Red tape and barriers to trade and FDI openness

Recommendations to streamline permits, licensing and insolvency procedures are among the most common in both advanced and emerging-market economies (Figure 1.8). Introducing or improving one-stop shops for business registration is recommended in several emerging-market economies, but also in Germany and Greece. Greater use of the assessment of regulatory impact of legislative proposals is recommended in several European economies, Korea and South Africa. A level playing field among firms needs to be safeguarded by stronger competition authorities and regulators, while improved governance of state-owned enterprises is crucial for both competition and efficiency. Indeed, several countries have recommendations to reduce government ownership in the economy via privatisation.

Figure 1.8. Key recommendations in product market regulation, competition and trade and FDI openness

| Economy wide regulations | | | Barriers to trade and FDI | Sector specific regulatory burden | |
|---|---|--|---|---|--------------------------------------|
| Streamline permits, licensing and red tape ARG AUS BEL CAN CHL CRI DEU EU ESP FRA HUN ISL IRL IDN IND JPN KOR MEX POL USA ZAF | | | Reduce barriers to trade ARG BRA CAN COL CRI EST EU IDN ISR JPN NZL RUS USA ZAF | Network sectors and construction BEL CAN CHL EU FIN IRL ITA NZL PRT POL TUR USA ZAF | |
| Improve bankruptcy procedures BEL DEU EST HUN ITA JPN PRT LTU ZAF | Strengthen competition and regulatory authorities CHL CRI DNK HUN ISL POL PRT SVN ZAF | | | Services including professional services AUS AUT BEL FRA DEU IRL LUX ESP EU PRT USA KOR RUS | |
| Improve SOEs governance and privatisation CRI IDN POL RUS SVN USA ZAF | Introduce or expand regulatory impact assessment FRA HUN ITA ZAF GRC KOR | One-stop shops COL CRI DEU GRC IND | Reduce barriers to FDI CAN JPN MEX NZL IDN RUS ZAF | Banking IRL MEX PRT CHN CRI IND RUS | Retail AUT BEL CAN FRA LUX |

Deregulation and improving competition in potentially competitive segments of network sectors remain among the key recommendations for both advanced and emerging-market economies. Deregulation in professional services and retail trade is recommended particularly in advanced economies, while removing tariff and non-tariff barriers to trade and obstacles to FDI are recommended especially for emerging-market economies in order to increase access to global demand for, and supply of, goods, services, technologies and knowledge.

Improving the quality and accessibility of infrastructure

Improving the quantity and quality of infrastructure in a cost-effective way can boost growth and provide access to markets, education and quality services for greater share of the population (e.g. health care and utilities). In *Going for Growth 2019*, 10 advanced and 8 out of 12 emerging-market economies have priorities to improve infrastructure (Figure 1.9). In Argentina, Brazil, Colombia, Costa Rica, Indonesia and South Africa significant gaps in infrastructure, in particular in transport, hold back job creation, access to markets and employment opportunities and contribute to regional income inequalities. In India, where many households still do not have access to electricity and water sanitation, upgrading infrastructure will boost growth and improve people's health and well-being. Making greater use of public-private partnerships (PPPs), involving the private sector and using innovative financing models for infrastructure investment is recommended in all of the above countries.

Figure 1.9. Key recommendations in the area of provision of infrastructure

| | | | |
|---|--|---|--|
| <p>Enhance quality and accessibility in transport</p> <p>COL CRI DEU EST GBR ISR LUX LVA USA ZAF</p> | <p>Boost private infrastructure investment and public-private partnerships</p> <p>ARG BRA CRI EST GBR IDN NZL POL ZAF</p> | <p>Enhance use of cost-benefit analysis</p> <p>COL CRI CZE ISR ITA NOR POL</p> | <p>Broadband, telecom and others</p> <p>DEU GBR IND RUS USA</p> |
| <p>Increase institutional capacity of relevant agencies and local governments</p> <p>ARG BRA CRI DEU FRA GBR IDN NZL USA</p> | <p>Enhance quality and accessibility in energy</p> <p>DEU EST HUN IND JPN LUX LVA POL</p> | <p>User fees</p> <p>GBR IND LUX NZL USA</p> | <p>Improve rural infrastructure</p> <p>ARG COL EST LVA</p> |

In Germany and the United States expanding public investment to support broadband internet access is recommended. Transport infrastructure investment, in particular public, low-emission transport is a recommendation for Germany, Israel, Italy, Luxembourg, the United Kingdom and the United States.

Ensuring the high quality of infrastructure projects is a key consideration in efficient use of public resources, effective delivery of social services and minimising negative environmental outcomes. In this respect, expanding and improving the use of cost benefit analysis in infrastructure project selection is recommended in Colombia, Costa Rica, Israel, Italy, Norway and Poland.

A level playing field for businesses cannot be effective without a well-functioning judicial system and enforcement of laws and policies. Recommendations in this area include improving the protection of whistle-blowers (China, Mexico and Russia), the functioning of the judicial system (Slovak Republic) and anticorruption and law enforcement (a number of large emerging-market economies, Italy and the Slovak Republic). Improving the efficiency of public administration will also facilitate the implementation of policies, law enforcement and more generally save resources. It can also help secure trust in the government. Recommendations in this respect span more transparent and effective public procurement (Czech Republic, Denmark, Iceland, Italy, the Slovak Republic and Mexico) and investing in human and technical resources in administration (Greece, Italy and Russia).

A tax system that is more friendly to growth, equity and the environment

Shifting the tax burden away from incomes to revenue sources such as property, consumption and environmental taxation, can raise economic growth and improve its environmental sustainability. A shift to taxation of property and consumption can also have the advantage of exploiting less mobile tax bases in the context of further global integration. In areas where tax base erosion and cross-border environmental externalities are large, such as carbon taxation, international co-operation and co-ordination can improve the efficiency and effectiveness of policy action.

Some 25 countries, of which three emerging-market economies (Argentina, Brazil and Russia) have priorities directly related to the tax system. In European countries, shifting the tax burden to property is among the main recommended reforms. Increasing consumption taxes is recommended in Japan, Korea and many European countries. Scaling back specific, inefficient taxes is recommended in Argentina, while consolidating various state and federal indirect taxes towards a national value added tax is a recommendation in Brazil. Recommendations to improve the efficiency of the tax system also include phasing-out inefficient tax expenditures (Argentina, Canada, Germany, France and Finland) and improving revenue collection, including through the use of digital technologies (Greece and Italy).

Unlock skills development and innovation potential for all

An efficient and inclusive education system is crucial for higher productivity growth and employment in the future. Education is a major area of priorities, and the country-specific recommendations target various areas and levels of education (Figure 1.10). Ensuring that the human capital and firm potential translate into productivity growth requires also adequate innovation support policies.

Figure 1.10. Key recommendations in education and skills

| University | Vocational | Primary and secondary | Lifelong learning |
|--|---|--|---|
| <p>Improve access and reduce inequalities</p> <p>AUT BRA CHE CHL CHN EU GRC HUN POL SVN USA</p> | <p>Expand vocational education and training</p> <p>ARG AUS BRA CAN CHE CHN COL CRI CZE DNK ESP EST FRA GBR GRC HUN IDN IND ISR ITA LVA LTU LUX MEX POL PRT TUR ZAF</p> | <p>Improve teaching quality, teachers' incentives and career prospects</p> <p>ARG BEL BRA CRI ESP FRA GRC IDN ISL MEX NOR NZL PRT SVK SWE ZAF</p> | <p>Expand lifelong learning</p> <p>ARG AUS CHE CZE DEU FRA GBR ITA LVA POL USA</p> |
| <p>Improve funding formula</p> <p>AUT CHL CRI DNK NOR POL SVN</p> | <p>Improve alignment with labour market needs and increase employer involvement</p> <p>ARG CAN COL CRI CZE ESP EST EU GBR GRC IDN ITA ISR LTU POL PRT TUR</p> | <p>Provide additional support to disadvantaged schools or students</p> <p>AUS BEL COL CRI FRA HUN ISR LVA MEX NZL PRT SVK SWE USA</p> | |
| <p>Better target financial assistance to students</p> <p>AUT CHE DNK HUN SVN</p> | <p>Expand apprenticeships and increase the workplace component of training</p> <p>CAN CHL CZE EST FRA GRC HUN ISR ITA LTU LUX NZL POL PRT</p> | <p>Improve school accountability and autonomy</p> <p>FRA GRC ISL LUX NOR PRT TUR ZAF</p> <p>Improve school infrastructure</p> <p>BRA IND MEX ZAF</p> <p>Limit grade repetition</p> <p>COL LUX PRT</p> | |

Access to quality education

Better access to and higher quality of education are recommendations both for tertiary education, and for primary and secondary education, particularly through targeted support for disadvantaged schools and

students (Figure 1.10). In Brazil, India, Mexico and South Africa, recommendations include upgrading school infrastructure, in particular in remote and poorer regions. Increasing school autonomy and accountability, recommended primarily in European countries, Turkey and South Africa, can also help in this manner, in particular if coupled with efforts to raise teachers' qualifications through better incentives and prospects for career development. Finally, recommendations to reform university funding, such as allowing the introduction of general tuition fees in Austria, can bring efficiency gains and improve incentives to better align curricula to job-market needs. However, the introduction of general tuition fees requires the development of a grant and income-contingent student loan systems to avoid socio-economic segregation.

Vocational education and activation policies

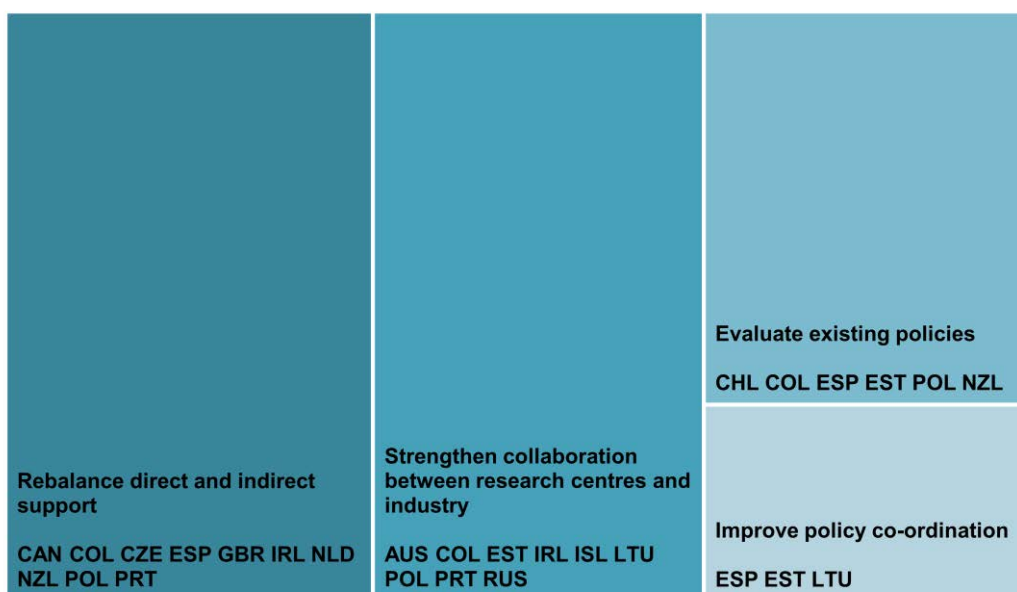
Recommendations to expand vocational education and training (VET) and lifelong learning are among the most popular in the category of education (Figure 1.10). The objective is to improve the responsiveness to new skill requirements. The recommendations target more involvement of businesses in VET design, notably at the local level. Particular emphasis is placed on the expansion of apprenticeships and on-the-job training.

Longer working lives will mean a longer period where depreciation of skills and technological change risk making human capital obsolete. In this light, recommendations on lifelong learning are common in advanced economies where populations tend to be older on average.

Innovation policies

Public R&D support is needed to complement the framework conditions for innovation and put human capital to productive use. The most common recommendations in this area include better balancing the support between direct funding and indirect tax incentives (Figure 1.11). Stronger collaboration between universities and research centres and the private sector as well as better co-ordination of public policies, are recommended in particular in Central and Eastern European countries. Finally, recommendations on evaluating existing policies and programmes and focusing on those that deliver results aim at improving the efficiency of the money spent.

Figure 1.11. Key recommendations on R&D and innovation policies



Supporting workers to make the most of a dynamic labour market

Workers need to have the incentive and opportunity to find quality employment. This means policy makers need to balance incentives in the tax and benefit system and provide well-targeted activation policies to improve employability.

Labour market dualism and informality

In the two decades prior to the financial crisis, many countries promoted flexibility in the labour market by easing regulations on non-regular contracts. At the same time, the existing stricter regulations on regular contract remained unchanged. This has led to an expansion of non-regular contracts and to an increase in labour market segmentation. The youth and the low-skilled tend to be overrepresented among non-regular workers.

Excessive protection of regular contracts can leave a significant part of workers unemployed, in poor quality non-standard work or in the informal sector. Informal and low quality jobs are often worse paid and have poorer – if any – security, social protection coverage and on-the-job training. Moreover, the transition from informality to regular jobs is difficult and working informally may have negative consequences for future labour market prospects (Petreski, 2018; OECD, 2014).

Key recommendations in the area of labour market duality include aligning the protection of regular and non-regular workers in advanced economies and reducing strict protection of regular contracts in emerging-market economies with large informal sectors (Figure 1.12). More flexible wage bargaining is recommended in a handful of advanced economies, while avoiding too high or too rigid minimum wages is recommended in some emerging-market economies. Finally, reducing severance pay and the uncertainty related to dismissals are recommended in several countries (e.g. the Netherlands, Chile, Turkey and Indonesia).

Labour taxation and social benefits that incentivise work

High average and in particular high marginal taxes on labour income tend to depress individuals' labour supply by discouraging full-time labour force participation. In addition, high labour taxes can reduce firms' labour demand by driving up the cost of labour (due to high employers' social security contributions or payroll taxes). This can lead to lower employment, shorter hours worked and higher unemployment. Such detrimental effects are more pronounced for workers facing labour demand-side obstacles, generally youth and the low-skilled, and those facing supply-side obstacles, generally second earners, mothers of young children and single parents.

Excessive and poorly designed labour taxes and social security contributions create both labour supply and demand obstacles and are drivers of labour market informality and low employment. These effects tend to weaken opportunities and mobility in the labour market. Many of the *Going for Growth* priorities to lower labour taxation focus on low-skilled workers that are at greater risk of being excluded from the labour market (Figure 1.12). In some countries, such recommendations are formulated in the broader context of the efficiency of the tax and transfers system through lowering the taxation of (labour) income and shifting the tax burden toward immovable property and consumption.

The goal of the mix of unemployment benefits, social protection and active labour market policies is to provide adequate income support in times of need, while encouraging the return to work. It serves to help workers' adapt to the changing reality of the job market through skills acquisition and experience. In this respect, many countries would benefit from boosting activation policies and targeting them towards workers with weak labour market attachment, such as youth and the low-skilled (Figure 1.13). Similarly, better targeting of social benefits and gearing them to increase the incentives to take up work is a common recommendation. An expansion in benefits is recommended in Chile and bridging the rural/urban divide in coverage is recommended in China.

Figure 1.12. Key recommendations in labour market policies



A more inclusive labour market

A high proportion of women are currently not employed, overrepresented among (involuntary) part-time workers (OECD, 2016) or more likely to be in the informal economy (ILO, 2018). This can often be traced back to barriers or disincentives to work induced by policies (Figure 1.14):

- the generosity and the design of tax and benefit systems: for example, fiscal disincentives to work for second earners such as tax allowances for non-working spouses and joint income taxation of spouses;
- high costs and poor accessibility of childcare;
- the design of parental leave policies and low take-up of parental leave.

Removing such obstacles will not only ensure better opportunities for women in the labour market but will also promote the economic prospects for children from disadvantaged background.

Better inclusion of minorities and migrants in the labour market are key priorities for inclusive growth. In Australia, Israel, New Zealand, Slovakia and Hungary recommendations target minority groups that show weaker performance in the labour market and in education. The recommendations focus particularly on the quality and targeting of education and improving the school-to-work transition and better engagement with representatives of the minorities. Recommendations targeting migrants include better training and language support and recognition of foreign qualifications (Figure 1.14).

Figure 1.13. Key recommendations on activation policies and social benefits

| Active labour market policies | | | |
|--|---|---|--|
| Better focus on risk groups ARG CHL DNK FRA ISR ITA NLD SWE | Expand specific programmes CHL GRC GBR ISR IRL USA | Increase spending or improve effectiveness GBR ITA LTU TUR | Improve co-ordination ITA NLD SWE |
| Social benefits | | | |
| Improve targeting BRA FIN GRC IRL LVA NZL SVN SVK | Increase work incentives FIN GRC IRL ISL LTU POL SVN | Expand coverage CHL CHN NZL | Tighten eligibility, including in disability benefits AUT ISL NOR |

Figure 1.14. Key recommendations to make the labour market more inclusive

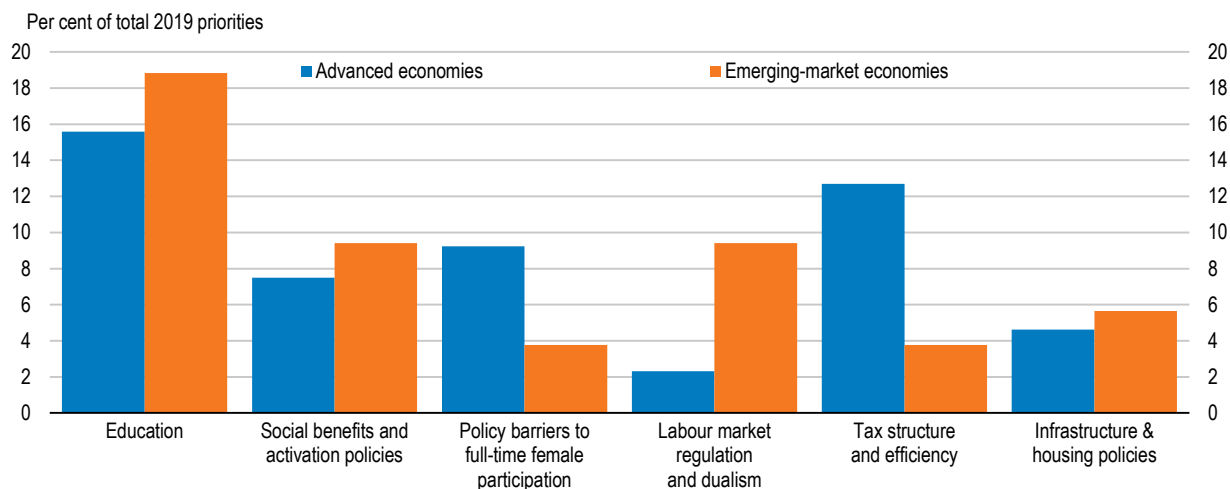
| Making the labour market more gender inclusive | | Improving integration of immigrants, refugees and minorities | |
|---|---|---|---|
| <p>Improve early childcare accessibility</p> <p>ARG AUT CAN CHE CHL CZE DEU FIN HUN IRL JPN KOR LUX POL SVK USA</p> | <p>Encourage more balanced parental leave</p> <p>ARG CAN CHE CZE DEU FIN HUN SVK USA</p> | <p>Provide training, including language training</p> <p>BEL DNK ISR NZL SVK SWE</p> | |
| <p>Improve incentives in the tax and benefit system</p> <p>ARG AUT CHE DEU JPN LUX POL SVK</p> | <p>Corporate codes, quotas, awareness and anti-discrimination laws</p> <p>ARG CHE CHL IDN</p> <p>Align the official retirement age</p> <p>AUT CHE POL</p> | <p>Facilitate recognition of qualifications</p> <p>BEL DEU DNK SWE</p> | <p>Improve early childcare provision</p> <p>CHE LUX SVK</p> |

Structural reforms to promote growth and equality of opportunities

Going for Growth advocates a large number of priorities that are likely to increase the equality of opportunities for workers, both current and among future generations. Such priorities aim at providing adequate skills, quality employment and improving the prospect for upwards income mobility (Figure 1.15). More generally, reforms to level the playing field and encourage competition can also be seen as improving the equality of opportunities for firms.

Figure 1.15. *Going for Growth* priorities most likely to promote equality of opportunities

Share of *Going for Growth* 2019 priorities



1. *Going for Growth* priorities are considered as inclusive when associated recommendations are likely to reduce income inequality. They are considered as neutral in terms of inclusiveness when their impact on income inequality is either unknown or null. Finally, priorities are considered as adverse for inclusiveness when associated recommendations may trigger an increase in income inequality. See text and also Chapter.

StatLink  <https://doi.org/10.1787/888933954420>

Providing educational opportunities for all

Education shapes individuals' life chances, ensures the acquisition of job-market relevant skills and helps the development and productive allocation of talents. In *Going for Growth* around 15% of the reform priorities advocated, both in advanced and emerging-market economies, can be seen as targeting fairer access to education. Examples of recommendations on enhancing equity of opportunities in education and skills span a wide range of areas: additional, targeted support to disadvantaged schools or students in all levels of education and reforms to improve the school-to-work transition, lifelong learning and vocational education.

Promoting equal opportunities in the labour market

Quality employment opportunities are crucial for equal opportunities of succeeding in life. A multitude of *Going for Growth* labour market-related reform priorities will help in this respect. Reducing labour market dualism, reducing the labour tax wedge on low-income workers and a more flexible minimum wage can help bring workers into the formal labour market in many emerging-market economies. Reducing the gap in protection of workers on regular and non-regular contracts can improve the access to training and career prospects as well as their social benefit coverage.

Targeted and effective activation policies can help dismissed workers and those with weak attachment to the labour market to update their skills and find employment. Removing policy disincentives to the

participation of women in the labour market has significant benefits in terms of equality of opportunities for both current and future generations. In families where no-one is working, and in families with single mothers at risk of poverty, children are more likely to face lifetime disadvantage. This is a key issue in both emerging-market and advanced economies¹, where children from disadvantaged backgrounds are at greater risk of material deprivation and for which recommendations are formulated to address this challenge.

Similarly, recommendations for better inclusion of migrants and minorities address directly the fact that workers from these groups as well as their children often suffer from poor performance in the labour market and in education.

Improving infrastructure and housing to enhance access to equal opportunities

Better infrastructure, especially in large emerging-market economies and remote regions, is crucial to provide access to markets, education and quality services for greater share of the population (e.g. health care and utilities). It can help decrease income inequality and regional disparities (Calderon and Serven, 2014) and improve the equality of opportunities both for workers as well as for firms.

Housing access and affordability can affect both labour productivity and labour utilisation. Housing also has a significant impact on well-being, being central in households' life and social mobility throughout the lifetime. Restrictive housing policies can hamper housing investment and limit labour mobility, thus potentially raising structural unemployment and increasing skill mismatch (Adalet McGowan and Andrews, 2015). Rigidities in the housing market can also discourage capital mobility and contribute to resource misallocation by distorting the price responsiveness of construction to supply and demand signals. Improving the accessibility of housing is recommended in Latvia, New Zealand and the United Kingdom. Improving the flexibility and reducing distortions in the housing market is recommended in Denmark, the Netherlands, Sweden and Luxembourg.

Structural reform priorities that address environmental sustainability

The global economy faces major environmental challenges. Climate change poses major systemic risk to future growth and well-being, even if the exact effects are uncertain. Greenhouse gas emissions are far from where they need to be with respect to the globally agreed targets of net-zero emissions in the second half of the century (OECD, 2017). Outdoor air pollution, which is more closely linked to domestic impacts, has a significant impact on both growth and well-being, with an estimated global death toll over 4 million annually (WHO, 2018). Issues related to waste and biodiversity loss are among other significant risks and potential bottlenecks even if they are more difficult to link to growth directly.

Even if the direct links between growth and the environment are complex and difficult to quantify, the *Going for Growth* objectives of higher economic growth need to be fulfilled in a way that can be sustained by the environment. This requires that the design of pro-growth reforms take into account the costs of environmental degradation by increasing the stringency of environmental policies or providing incentives for more environmentally-friendly innovation.

In the 2019 edition of *Going for Growth*, 11 countries and the European Union have been identified as having a priority to address the environmental sustainability of growth and well-being (a “green growth priority”) among the Top 5 pro-growth priorities (Figure 1.16). China, and Turkey have primarily pollution related priorities, though greenhouse gas emissions and water scarcity are also targeted. In China, air pollution is estimated to cause over 1 million deaths per year while Turkey has one of the worst air quality in the OECD. India, where millions of households still lack access to electricity, clean water and sanitation and the death toll of air pollution is similar to that in China, has a priority to combine more efficient use and quality access to electricity, water and sanitation and to reduce transport-related pollution.

Figure 1.16. The number of green growth priorities and recommendations in *Going for Growth 2019*



Note: see Chapter 3 for details.

Advanced economies such as Australia, the European Union and Japan have priorities primarily related to addressing climate change in a cost-effective way. In Estonia and Poland, the efficiency and environmental performance of the energy sector are identified while cost-reflective energy pricing and phasing out fossil fuel subsidies remain on the Indonesian agenda. Luxembourg and Israel have priorities focusing on curbing transport related pollution, including through the improved provision of public transport and pricing of road use. Finally, Iceland has a priority to ensure the environmental sustainability of its rapidly growing tourism sector.

Overall, in most countries without outright green growth priorities some aspects of pro-growth priorities can be addressed with reform recommendations explicitly formulated to reduce the negative effects of growth on environment (Figure 1.16). These are labelled as “green growth recommendations”. Examples include pro-growth tax reforms that recommend to increase the reliance on the taxation of environmental externalities and to phase-out environmentally harmful tax expenditures, which would increase the price incentives for less environmentally harmful behaviour and activity. Recommendations to improve infrastructure provision that explicitly target expanding public transport and low-emission modes of transport as well as those to introduce or expand the pricing of road use or congestion are also counted as “green growth” recommendations. Priorities to phase-out production and trade distorting subsidies to agriculture should reduce the negative environmental impact of agriculture. Finally, other structural reforms with a broad scope, such as strengthening the rule of law and policy enforcement as well as improving innovation policies, can also benefit environmental sustainability.

Some countries do not have an outright green growth priority nor recommendation. Yet, this does not mean that environmental sustainability is not a concern for them. In fact, in a globalised world, major environmental challenges are largely global concerns. Impacts of environmental degradation often spill across borders, but solutions can also come from international collaboration and knowledge diffusion. This is the case for climate change and air pollution, both of which are now explicitly considered in *Going for Growth*, but also waste and biodiversity, which are more difficult to integrate due to measurement and evidence on the link to growth. In this respect, a co-ordinated, global approach to the environment, and in particular to climate policies, makes achievement of environmental goals more feasible and cost-effective.

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¹ In this publication, the group of advanced economies comprises all OECD member countries excluding Chile, Mexico and Turkey. These three countries, alongside Argentina, Brazil, China, Colombia, Costa Rica, Indonesia, India, Russia and South Africa are labelled emerging-market economies.

2 *Going for Growth 2019* – reform actions taken in 2017-18

The pace of reforms is not fast enough. After a peak of reform action in both advanced and emerging-market economies following the global financial crisis, the pace of structural reforms has moderated again, implying a lost opportunity to boost growth. This chapter assesses the overall progress in structural reforms that OECD and key non-OECD member countries achieved on the past *Going for Growth* priority areas over 2017-2018. The detailed country-specific information supporting this chapter is available in country notes (Chapter 4).

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

In Brief

The pace of reforms is not fast enough

Over 2017-18 the overall pace of structural policy reforms has remained similar to the pace observed in the last five years and to the one before the financial crisis. This reform pace is below the peak in the direct aftermath of the crisis.

Still, despite this overall moderate pace of reform some countries have recently implemented major reforms.

For example, Japan took actions to support the labour force participation of all segments of the population, and in particular that of women, notably by improving its childcare capacity. In addition, both Japan and Korea passed new legislation aimed at limiting overtime work and improving work-life balance. France passed comprehensive labour market reforms to improve collective wage bargaining, ease labour market transitions, reduce the tax wedge for low-income workers and strengthen lifelong learning. It also extended unemployment benefits to self-employed in combination with reinforced job search controls.

Denmark passed a major reform of housing taxation in 2017, reinforcing the progressivity of its housing taxation. India rolled out a nation-wide goods and service tax, while Argentina reduced corporate income taxes and increased taxes on undistributed profits to encourage investment. Spain and Poland took significant measures to improve the collection of VAT and the United States reduced its corporate income tax rate.

Greece and Italy rolled out nation-wide anti-poverty schemes ensuring that households have access to a minimum income. China made progress on bridging the rural/urban divide in its health system, notably by facilitating the portability of health insurance, while India launched a national healthcare scheme to cover 100 million poor families.

The pace of structural reform action has also differed across policy areas. Advanced economies have focused on addressing increasing labour shortages by lifting impediments to the labour force participation of women, strengthening social policies and redesigning tax systems. Emerging-market economies have increasingly aimed at encouraging formal jobs by reforming labour market regulations, boosting skills and reducing the high taxation of labour.

Introduction

Going for Growth builds on OECD expertise on structural policy reforms and economic performance to provide policymakers with concrete reform recommendations to boost growth in an inclusive and sustainable way (Chapter 1). Tracking the progress on structural reforms is an essential part of the *Going for Growth* exercise. Reform actions are hence reported for each two-year period, in light of the respective national priorities that were identified in the previous edition of *Going for Growth*. This edition of *Going for Growth*, and in particular this Chapter, focuses on reforms taken in 2017 and 2018.

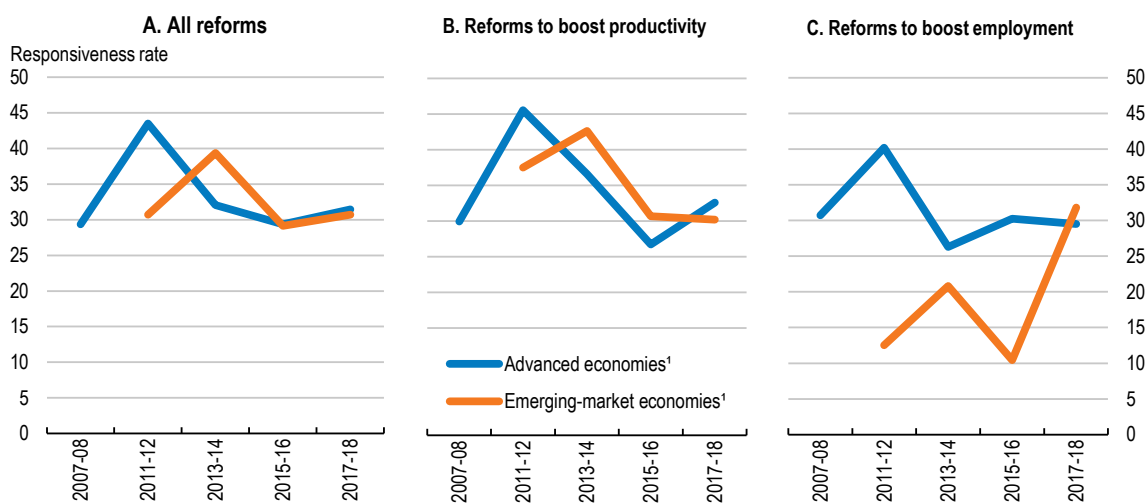
In 2017 *Going for Growth* reported a moderation of structural reform efforts following a post-crisis peak (OECD, 2017a). The pace of reforms stabilised at levels similar to those observed before the crisis, both in advanced and emerging-market economies. This moderate pace has continued in 2017-18, albeit with significant reform actions taken in some countries.

Patterns of reform activity by policy areas

On average, reform activity in advanced and emerging market economies, as measured by the reform responsiveness indicator (RRI, Box 2.1), has remained similar to the pace observed the last five years and to the one before the financial crisis (Figure 2.1). This reform pace is below the relatively high pace observed in the direct aftermath of the crisis. This overall pattern hides heterogeneity in the actions taken across the main policy areas (Figure 2.2), as well as in the difference in the significance of individual reforms.

Figure 2.1. Reform activity has stabilised at the pace observed before the crisis

Responsiveness to *Going for Growth* recommendations across countries



1. In this publication, the group of advanced economies comprises all OECD member countries excluding Chile, Mexico and Turkey. These three countries, alongside Argentina, Brazil, China, Colombia, Costa Rica, Indonesia, India, Russia and South Africa are labelled emerging-market economies.

Box 2.1. The reform responsiveness indicator – a quantitative indicator of reform action

A “responsiveness rate” indicator (RRI) is constructed for each *Going for Growth* priority area and country to summarise and assess the progress made by countries in addressing reform priorities. The RRI measures the share of total policy recommendations, within and across priorities, on which governments in each country have taken reform action.

The RRI is based on a scoring system in which recommendations set in the previous edition of *Going for Growth* take a value of one if reform action is taken and zero if not. An action is considered, if it addresses the *Going for Growth* policy recommendation and is legislated or implemented. Announcements and government plans are not taken into consideration.

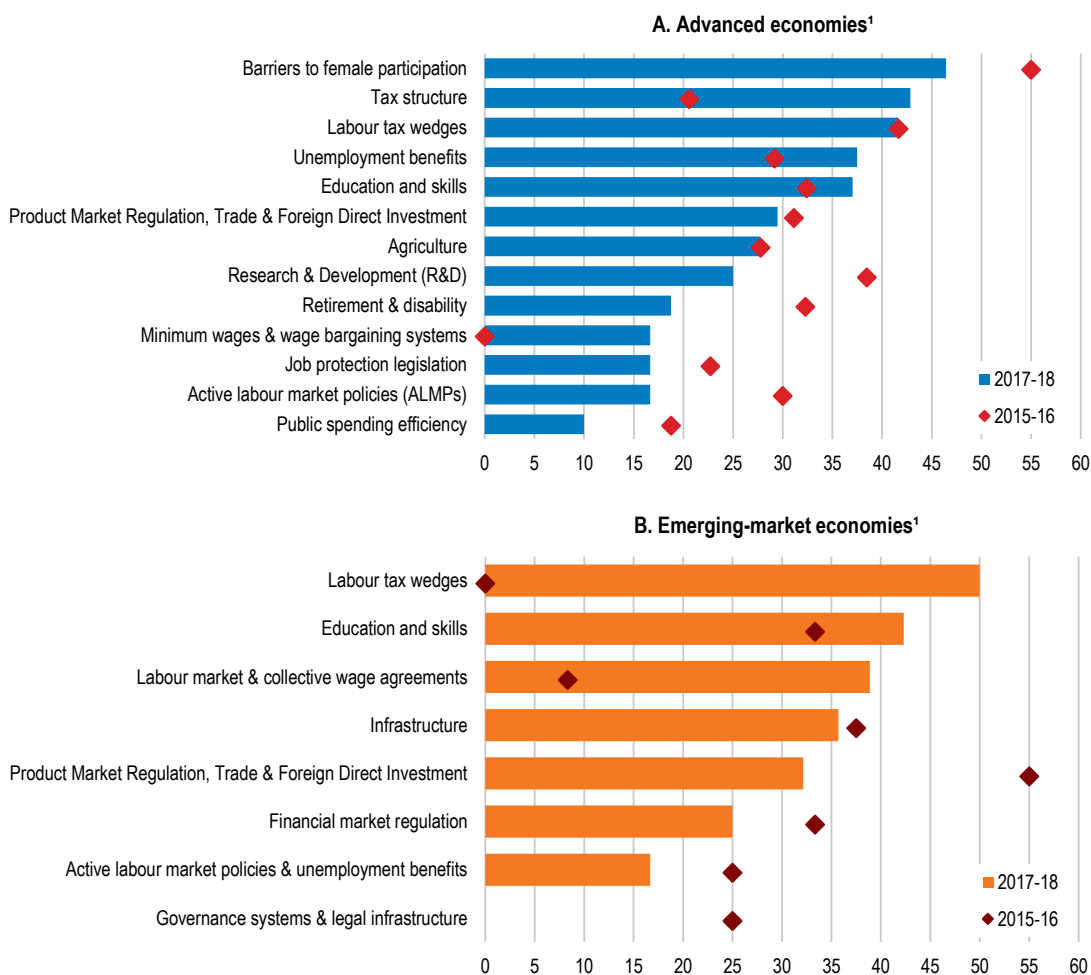
The denominator is the sum of policy recommendations. A single *Going for Growth* priority usually entails more than one recommendation. For example, product and service market reform priorities can cover both economy-wide barriers (e.g. lengthy and bureaucratic procedures for start-ups, excessive and non-transparent licensing requirements, general barriers to trade and investment) as well as industry-specific barriers (e.g. weak competition in retail trade, barriers to market entry in electricity or telecoms).

The 2017-2018 RRI focuses on actions taken in the course of 2017 and 2018 in response to *Going for Growth 2017* recommendations. Aggregates across countries, groups of countries and reform areas are also created.

The RRI is a simple measure giving a general picture, comparable across countries and time, but with some limitations. Firstly, it focuses on policy reforms in the Top 5 areas identified in *Going for Growth* as most crucial for boosting inclusive growth, not on all policy actions. Secondly, it does not attempt to assess or discriminate by the significance of measures in terms of the sufficiency to address the underlying challenge, the effectiveness of the implementation or the political economy context. For more details see Box 2.2 and Annex 2.A1 in the 2010 edition of *Going for Growth* (OECD, 2010a).

Figure 2.2. Reform intensity has remained moderate, but notable action is visible in some areas

Responsiveness to *Going for Growth 2017* recommendations across policy areas



1. In this publication, the group of advanced economies comprises all OECD member countries excluding Chile, Mexico and Turkey. These three countries, alongside Argentina, Brazil, China, Colombia, Costa Rica, Indonesia, India, Russia and South Africa have been labelled emerging-market economies.

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Reforms to boost labour productivity

Among reforms aiming to boost labour productivity in 2017-18, advanced economies were most active in the area of taxation, as part of a general trend to support investment and enhance the inclusiveness of the tax systems (OECD, 2018a). For example:

- Australia lowered corporate income taxes for SMEs in 2017 and adopted a path of short- and medium-term reductions in personal income taxes targeted to low- and middle-income earners.
- The United States cut its corporate income tax rate in late 2017, as part of a major tax reform (Box 2.2).
- Japan has continued cutting the corporate income tax rate, though the planned hike in the consumption tax rate for 2017 has been delayed until 2019.

- Denmark passed a major reform of housing taxation in 2017, introducing a new system for housing valuation and replacing the nominal freeze of property taxes with proportional taxation, maintaining the progressivity of the system (Box 2.3).
- Several countries also took measures to broaden their tax bases, e.g. in the federal budget Canada removed a number of inefficient tax expenditures such as restricting income splitting between household members within the small business tax regime.
- Several countries took measures to improve VAT compliance. For example, Spain introduced an electronic filing system to address fraud. Poland created a centralised data warehouse, merged tax administration, customs and fiscal control operations to improve co-ordination, introduced improved modelling tools to better detect irregularities and facilitated information exchange with banks when there is a suspicion of tax fraud. The Slovak Republic also took measures to fight tax evasion and increase its VAT collection, in particular through improved taxpayers' risk assessment and mandatory e-communication for taxpayers.

Box 2.2. Selected tax reform examples – corporate taxation in the United States

A major tax reform was signed into the law at the end of December 2017. The main thrust of the reform aims at reducing marginal statutory tax rates for personal and corporate income and simplification of the tax system. Changes to the taxation of business income include a cut in the federal government's statutory corporate income tax rate from 35% to 21% and an increased bonus depreciation rate (to 100% for 2018 to 2022, to be phased out by 2026). Personal income tax deductions were introduced for individuals receiving income from pass-through businesses (businesses that allocate all income to owners who are taxed, to avoid double taxation) (to expire by 2025). Business interest deductions are disallowed for interest in excess of 30% of measures of business income. A carryback treatment of the net operating loss deduction was repealed. Finally, a one-off tax on un-repatriated foreign earnings will be levied at either 8% or 15.5%, depending on whether the earnings are illiquid or liquid. The reform also represented a shift towards a semi-territorial tax system, including significant measures to discourage moving intellectual property to book profits in low-tax jurisdictions.

Personal income tax rates were reduced for most brackets starting from 2018 (to expire in 2025), while the indexation of tax brackets were changed to better reflect inflation. The standard deduction was increased and the Child Tax Credit is expanded. The reform capped State and Local tax deductions to USD 10 000 and deductions for education and medical expenses were reduced. The threshold for the estate tax was doubled to USD 22 million while mortgage interest deduction was capped at interest on USD 750 000 worth of loans (down from USD 1 million).

Box 2.3. Selected tax reform examples – taxation of housing in Denmark

Denmark introduced important changes to housing taxation. From 2021, housing taxes – including both the property value tax and the land tax – will reflect property market values, thereby ending the property valuation freeze in place since 2002, which has led to falling effective tax rates for homes increasing in value. For many homes, this change will lead to higher valuations. Tax rates will be lowered, however, and homeowners whose overall housing taxes increase with the new system will be compensated through a tax rebate. In an effort to protect homeowners from tax increases while they occupy their home, the payment of tax increases after 2021 will also be deferred until the home is sold.

In emerging-market economies, the most active areas of reform to boost labour productivity have been in the provision of infrastructure and education. For example:

- In India, a massive electrification programme has resulted in providing electricity to all villages in 2018.
- Argentina increased infrastructure investment with several projects developed as public-private partnerships. Likewise, in Indonesia transport infrastructure investment increased and reforms removed obstacles related to land acquisition.
- Chile continued to expand its childcare centres, with more than 70 000 new places created in 2017 and by setting up new institutions in charge of monitoring, updating curricula and setting quality standards.
- Colombia launched a programme aiming at raising the quality and accessibility of higher education, in particular using subsidised loans for disadvantaged students.

Reforms to boost labour utilisation

Among priorities to enhance employment in 2017-18, several advanced economies aimed at addressing labour market shortages through reforms to lift barriers to female labour market participation, redesigning unemployment benefits and retirement schemes. This extends the trend in reform action already observed in the last edition of *Going for Growth*. For example:

- In the Czech Republic, Germany and Japan childcare provision was scaled up. For instance in Czech Republic, from 2018 children older than 3 years are guaranteed places in childcare and in Japan free early childhood education and care for children aged 3 to 5 will be provided from October 2019. Both Japan and Korea passed new legislation aimed at limiting overtime work and improving work-life balance.
- Hungary abolished in 2018 social security contributions for old-age pensioners who remain in the labour market.
- Estonia lowered the tax wedge for low-wage earners in 2017 by increasing the threshold of the tax allowance in personal income taxation.
- In 2018, Israel increased the earned income tax credit for men to the level of women.
- Regarding older workers' labour force participation, Austria slightly raised the fiscal incentives for firms to employ older workers, through successive cuts in payroll taxes.
- Korea increased minimum pensions while expanding training programmes aimed at older workers in combination with subsidies for those who participate.
- France lowered employer social security contributions for low-income workers and increased in-work benefits.

In emerging market economies, reform activity was the highest in the area of labour market regulations and labour taxation. Poorly designed and excessive labour market regulations and high labour taxes can be strong drivers of informality and unemployment, hampering growth and social inclusion.

- In 2018, Costa Rica launched a national strategy to reduce informal employment from an estimated 43% to 33% by 2025. This included measures to encourage whistleblowing, cuts in social security contributions and a slight reduction of the numerous minimum wage categories.
- South Africa progressed on reforming the wage bargaining system, with the implementation of the national minimum wage in 2019.
- Turkey reduced employers' social security contributions on wages, and for firms that have increased their net employment over 2016 new hires will be exempt from social security contributions for one year.

Selected examples of significant reforms

The overall modest pace of reform reported in this *Going for Growth* edition masks that some countries took significant actions in specific priority areas. For example:

- India replaced multiple indirect taxes levied by the states and central government by the Goods and Services Tax in 2017 (Box 2.4).
- In France, a major reform was taken to increase the role of firm-level agreements in wage setting, improve legal certainty for dismissals and streamline worker representation in 2017 (Box 2.4).
- Japan took steps to expand childcare capacity and providing free early childhood education. The legal framework was strengthened to tackle market dualism and discrimination against non-regular workers (Box 2.4).
- Greece rolled out nation-wide its “social solidarity income” to provide a safety net against poverty, while reforming the administrative infrastructure for identifying eligible households and transferring funds by electronic means (Box 2.4).
- Along the same line, Italy implemented a conditional guaranteed minimum income targeted at households in poverty.
- In the area of health, China has improved access to health by increasing the portability of health insurance.
- India launched a national health protection scheme targeting 100 million poor families for secondary and tertiary care.

Box 2.4. Selected significant reform examples

The Goods and Services Tax in India

The Goods and Services Tax (GST), in effect as of 2017, replaced various taxes on goods and services levied by the central government and states by a single tax on value added. The GST reform harmonises indirect tax rates on goods and services that previously differed across states and entailed “tax cascading” (not all indirect taxes on inputs paid by enterprises could be deducted from indirect taxes on outputs so that taxes-on-taxes were due). Under the GST, goods and services are subject to four categories of tax rates: 5% (mostly food items plus rail and road passenger transport); 12% (air transport, hotels and restaurants); 18% (the default rate, applying to many food items, chemicals, manufacturing materials, leather and paper products, footwear and many manufactured products); and 28% for some luxury, sin and demerit goods (including sodas, chocolate, coffee, luxury hotels, tobacco and luxury cars). Several items are exempt, including alcohol, tobacco and petroleum products. Firms with a turnover of less than INR 4 million are exempt from GST. The GST Council governs tax rates, rules and regulations concerning GST. The Council consists of the Finance Minister of the central government and the Finance Ministers of all the states.

Labour market reforms in France

The 2017 labour market reforms aimed at facilitating collective bargaining and firm-level negotiations. They also seek to reduce legal uncertainty surrounding dismissals for open-ended contracts, notably through a binding scale for compensation for unfair dismissals. Company-level agreements now have the precedence over sector-level agreements on bonuses and working hours. Moreover, it will no longer be possible to extend a sector-level agreement if it does not include specific stipulations for smaller firms and an independent committee may evaluate the economic and social effects of administrative extensions of sector-level agreements before their extensions. In addition, new unemployment insurance rights have been made open to some self-employed workers and resigning employees.

To complement these measures, the French authorities reduced labour costs for low-wage workers and strengthened employment incentives through higher in-work benefits. They also reformed the lifelong learning and apprenticeship systems. Regular evaluation of vocational training programmes is planned, aiming to improve their quality.

Social protection reforms in Greece

The Social Solidarity Income (SSI) has been rolled out nationally in February 2017, while strengthened family benefits were introduced in 2018. These measures aim at better supporting the poorest households by ensuring that they can access a minimum income, even if they are not supported by other social protection programmes. The SSI transfers target low-income households and are set at EUR 200 per month for the first household member, EUR 100 for the second and EUR 50 for children. In addition, two programmes complement the SSI, seeking to improve households’ access to labour market programmes and to other social support services.

Reforms to raise labour market participation and employment in Japan

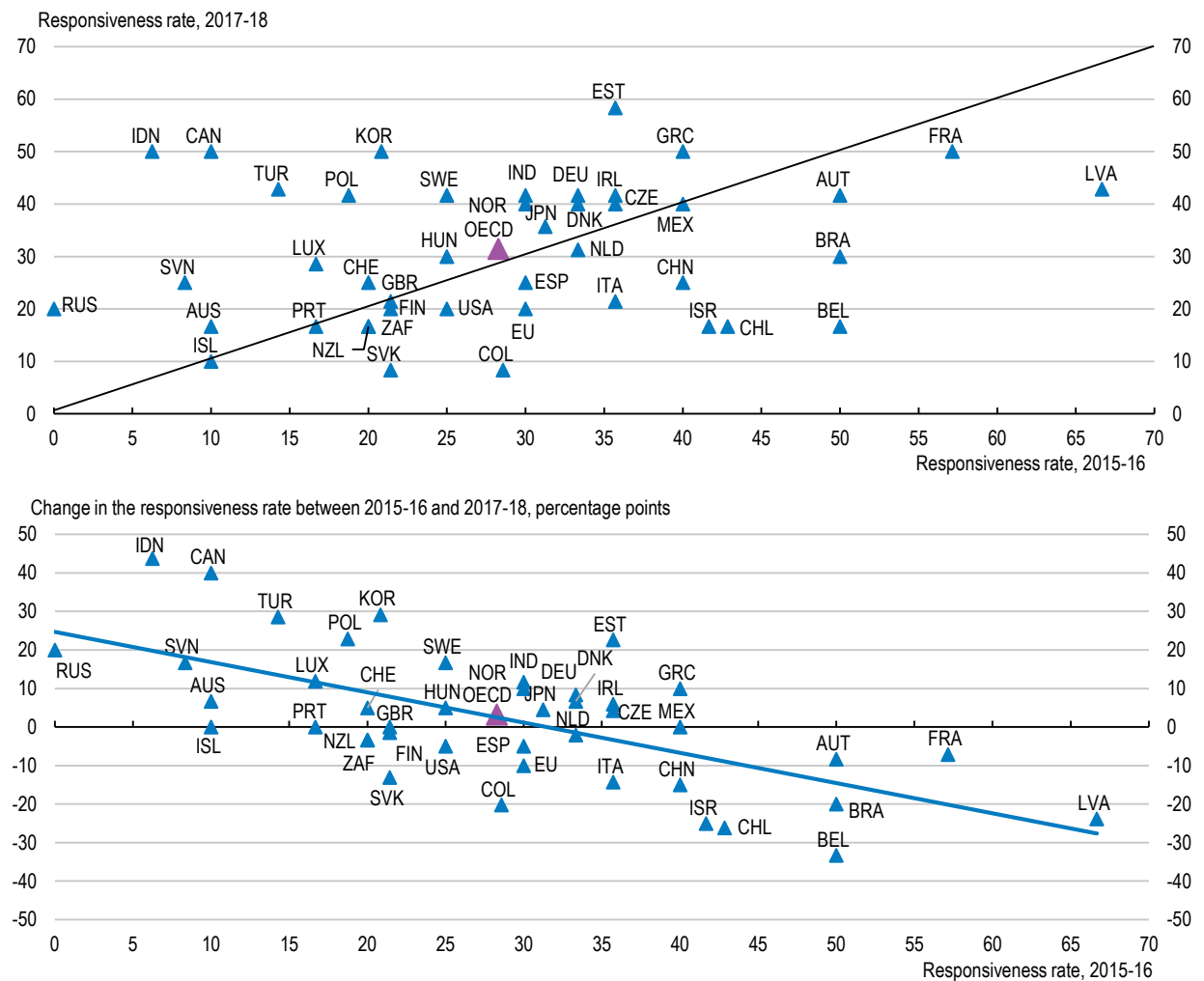
To promote the engagement of all available talents in the labour market, a plan to expand childcare capacity by 320 000 children by 2020 was launched in 2018. This will be accompanied by the introduction of free early childhood education and care in October 2019 for children aged three to five. In addition, a plan will be formulated in 2019 to encourage employment opportunities until the age of 70. Measures to fight entrenched labour market duality were implemented in 2018, including strengthening firms’ accountability for discriminatory treatment of non-regular employees and the launching guidelines for balanced treatment between regular and non-regular workers. The government has also increased support for vocational training for non-regular workers.

Patterns of reform activity across countries

Reform responsiveness to the 2017 priorities shows wide differences across countries (Figure 2.3, Panel A). Countries that tended to reform more intensively in the past are more likely to see a slowdown in reform activity thereafter (Figure 2.3, Panel B). This is possibly due to the need to approve necessary accompanying secondary legislation, the transmission of laws from central to local governments, court challenges and insufficient or ineffective administrative capacity. For example, in Spain the implementation of the Market Unity Law, which aimed at reducing barriers between provinces, is technically challenging due to the complexity of dealing with a large body of regulation. It also requires greater co-operation between the central government and the regions (OECD, 2017b), and improving the quality of laws and regulations (OECD, 2018b).

Figure 2.3. Reform intensity is lower in countries that were more active in previous periods

Responsiveness to *Going for Growth* recommendations



Note: In panel A, the line is a 45-degree line. In Panel B, the line is a simple linear regression line.

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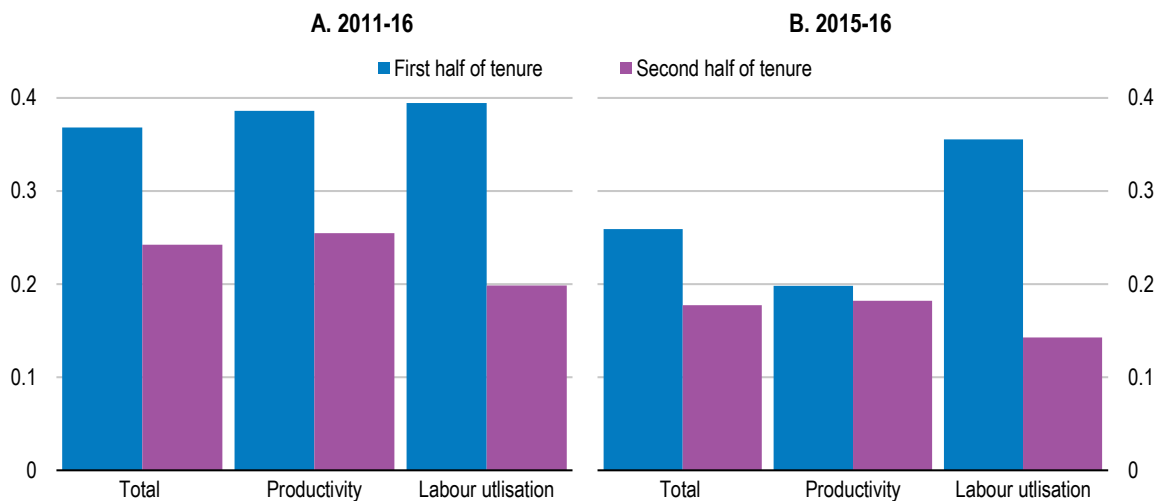
One often cited reason for the slow pace of reform is reform fatigue, following the peak of reform activity in the direct aftermath of the global crisis (OECD, 2015). Governments may be unwilling to face the short run costs of structural reforms. Some reforms may hit the most vulnerable in the short run, even if the overall effect is positive in the medium-term (Bouis et al., 2012). Examples include wage bargaining reforms aimed at encouraging wage responsiveness to cyclical and local conditions as well as tax reforms to achieve internal devaluation in the absence of exchange rate adjustment (i.e. fiscally-neutral reductions in employers' labour costs financed by increased consumer taxes). However, the Business and Industry Advisory Committee to the OECD (BIAC) annual members' survey indicates year after year business' support for structural reform action in the *Going for Growth* priority areas (BIAC, 2018).

The lack of trust in government can also make reform implementation difficult. Trust in government has deteriorated strongly in many OECD countries (OECD, 2017c). Trust is affected by many factors, including economic and financial uncertainty, misuses of public resources and the perception that growth has not been sufficiently inclusive. Businesses view the lack of political will and a lack of political or policy consistency as a key obstacle to reforms in their countries (BIAC, 2018). Increasing the efficiency of the public administration and upholding the rule of law are fundamental for winning back trust in governments, as reflected in *Going for Growth* recommendations (Chapter 1).

An additional reason for differences across countries in reform responsiveness may be linked to the political economy of reforms. Reforms are more likely to be successfully implemented in the presence of clear political mandate and an effective communication strategy. More cohesive governments, united around the reform proposal and with a stronger parliamentary majority also more likely to make reform happen (OECD, 2010b). There is some evidence that newly elected governments are more likely to implement reforms as the next election is some time away (Alesina, 1993). For example, across OECD countries, incoming governments tend to be more active in reform, gradually losing steam as their mandate ages (Figure 2.4).

Figure 2.4. New governments tend to reform more

Reform responsiveness indicator by government tenure



Source: World Bank, Database of Political Institutions Codebook, 2017 Update.

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Cross-country differences in reform activity can be also explained by the stalling, watering down or backtracking of reforms. For example:

- Some planned reforms, such as the liberalisation of professional services in Spain, have been postponed with unclear prospects for its eventual implementation (OECD, 2017b).
- In Austria, the trade law reform turned out to be less ambitious than expected and the extension of full-day childcare has stalled somewhat.
- In Japan, the hiking of the consumption tax rate to 10% – planned already in 2015 – has been further delayed and will be accompanied by the introduction of multiple rates.
- A number of countries have introduced actions that go in the opposite direction of past *Going for Growth* recommendations. Examples include the lowering of the pension age in Poland, the growth of fossil fuel subsidies in Indonesia and increasing variable subsidies for rice in Korea. Moreover, in Korea the minimum wage hike was higher than recommended.

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3 The integration of green growth in *Going for Growth 2019*

Curbing emissions and pollution is crucial in ensuring that the gains in growth and well-being are sustainable in the long term. Hence, environmental considerations are key in the setting of national and global reform priorities. *Going for Growth 2019* takes steps to integrate environmental sustainability in the reform priority selection framework. This chapter presents the details of this integration, summarises its results in terms of country-specific *Going for Growth* priorities and recommendations and outlines the future steps.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

In Brief

Growth has to be environmentally sustainable

The main objective of Going for Growth is to identify the top structural policy priorities to boost incomes for all. As the environment underpins the fundamentals of any economic activity and life itself, ensuring that the gains in incomes and well-being last in the longer-term requires that policy reform priorities and recommendations take into account environmental pressures and risks.

Starting from the 2019 edition, a systematic approach to integrating the environment in Going for Growth is adopted. In line with the existing framework, it relies on a combination of quantitative and qualitative analysis. As the links between the environment and growth (or well-being) are complex and often not well understood or measured, the integration requires a significant amount of expert judgement.

As a result of the integration, Going for Growth 2019 now identifies 11 countries, and the European Union, as having a green growth priority among the Top 5 reform priorities. China has a priority to reduce pollution. Australia and the European Union have priorities to address climate change in a cost-effective way. Japan and Turkey have similar, but broader priorities to reduce pollution and mitigate climate change. For Estonia and Poland, the efficiency and environmental performance of the energy sector are identified, while energy subsidy reforms are put forward for Indonesia. Addressing pollution from transport, including through public transport, are priorities in Luxembourg and Israel. India has a priority on infrastructure, combining more efficient use and quality access to electricity, clean water and sanitation. Iceland has a priority to ensure the environmental sustainability of its rapidly growing tourism sector.

Many countries that do not have a Top 5 green growth priority, have reform recommendations on other pro-growth priorities that should improve environmental sustainability. For example, tax reform priorities include recommendations to increase reliance on environmental taxes. Infrastructure priorities include recommendations to better reflect environmental externalities in project selection and in the pricing of transport use, as well as to boost low-emission modes of transport. Priorities to phase out production and trade distorting agricultural support can also help improve environmental sustainability.

There may be significant potential trade-offs between environmental sustainability and inclusiveness objectives. For example, higher environmental taxation or the removal of fossil fuel subsidies may particularly adversely impact the most vulnerable households. Easing zoning and land regulation can increase the availability of housing, but may encourage urban sprawl and related transport emissions. Such trade-offs need to be addressed with targeted policy tools.

The integration of green growth in Going for Growth is an ongoing process. As new areas and evidence emerge, they will be considered for inclusion in the future.

Introduction

Boosting productivity and employment, while ensuring that the gains from growth are broadly shared, are the main objectives of *Going for Growth*. The implicit assumption in selecting policy priorities to achieve these objectives is to ensure the longer-term sustainability of economic growth and well-being. This requires “ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies”, which is the definition of Green Growth (OECD, 2011).

To lift growth sustainably and to translate stronger growth into higher well-being, starting in the 2019 edition of *Going for Growth* priorities and recommendations are formulated to address environmental sustainability. Specifically, where relevant, priorities and recommendations support efforts to reduce negative effects associated with economic activity (e.g. pollution, greenhouse gas emissions and the degradation of eco-systems), to minimise environment-related risks and to reduce reliance on (limited) natural resources.

This Chapter describes the first explicit integration of selected environmental concerns in *Going for Growth*. The following section briefly recalls the links between the environment, economic growth and well-being as well as reviews the key evidence on the links between policies and outcomes in the context of green growth. The next section presents the approach to integrate green growth in *Going for Growth*, with particular emphasis on air pollution and climate change in this first step. The final section presents the results, reviewing the 2019 *Going for Growth* priorities and recommendations in light of their contribution to environmentally-sustainable growth. The detailed priorities and recommendations are provided in the Country Notes (Chapter 4). The Annex provides details on the priority selection.

The relationship between the environment, growth and well-being

The relationship between the environment and growth is complex and multidimensional (OECD, 2018a). The environment is essential for maintaining production, incomes and well-being supporting every economic activity, and life itself. This is the key motivation for integrating green growth in *Going for Growth*: both in the selection of priorities and in the formulation of recommendations.

The depletion of natural resources and environmental degradation can have adverse impacts on growth and well-being through various channels. In empirical work, environment may not stand out as a key contributor to long-term economic growth, at least in terms of conventionally measured inputs or outputs. For example, in the case of climate change, OECD modelling suggests direct GDP costs in the case of no action of between 1.0% and 3.3% of global GDP by 2060 (OECD, 2015). Air pollution, which is the single biggest environment-related health risk across the globe (WHO, 2014), also has direct costs. Exposure to fine particulate matter (PM_{2.5}) increases the risks of heart disease, stroke, respiratory diseases and infections (WHO, 2016; Burnett et al. 2014), implying lower productivity, absenteeism and higher medical bills. With no additional policy reaction, by 2060 such costs would lower GDP by 1 % (OECD, 2016).

The estimates of the economic costs of climate change and air pollution may not appear particularly high. This does not mean that they should not warrant consideration in the formulation of pro-growth policy priorities and recommendations. This is because the estimates of economic costs are highly uncertain and conservative. In fact, the links between the environment and growth can be evaluated across several characteristics:

- **Sustainability.** Economic activity, consumption and lifestyles rely on exhaustible resources and limited capacity of the environment to provide life-sustaining services and to absorb unwanted by-products of production and consumption. While the dependence of economy on environment is often complex and its details may be poorly understood, surpassing certain levels of degradation

can lead to high, irreversible costs – in terms of physical and psychological health damages or by engaging productive resources in necessary clean-up, remediation or adaptation.

- *Risks to future growth and well-being outcomes.* Environmental degradation can increase the risks of large-scale, catastrophic events, hence increase the probability that certain gains in growth and well-being will be reversed. An example is the increasing likelihood of extreme weather events associated with climate change. Such risks are not taken into account in the modelling of the costs of climate change cited above.
- *Impacts through health and other channels:*
 - *Well-being impacts beyond those directly linked to growth.* Environmental degradation entails welfare costs well beyond the direct GDP costs through its impact on health, morbidity and premature mortality or the utility of access to environmental amenities. These costs are often difficult to quantify in monetised or GDP-equivalent terms. However, for example in the case of local air pollution, even conservative estimates suggest that such welfare costs dwarf the direct impact on GDP through employment and productivity. Outdoor air pollution-related pre-mature deaths are estimated at some 4 million per year and are expected to increase significantly by 2060 (WHO, 2018; OECD, 2016).
 - *Public goods and cross-border effects.* Environmental damages and risks do not always fall on the country responsible for generating them, for example, global externalities related to climate change or cross-border pollution. In this respect, international co-ordination is needed to address the challenges efficiently and effectively, which is beyond the scope of the *Going for Growth* focus on national policies. The constraints to domestic growth may come from such international commitments and related policy action rather than from the actual domestic damages and risks.
 - *Social inclusion and the distribution of effects.* Many environment-related developments and risks may have disproportionate impacts on some social groups (in particular vulnerable groups), the local economy and specific sectors, which may not be straightforward to capture at the national level. Moreover, economically vulnerable groups may find it harder to adapt to or avoid adverse environmental impacts due to the lack of financial resources.

Tracking progress on green growth means monitoring the various aspects listed above, in terms of pure environmental indicators and indicators combining economic and environmental dimensions of both outcomes and policies, that is, green growth indicators (OECD, 2017a). In practice, and despite recent progress, tracking green growth has proven difficult due to challenges of measuring outcomes and policies and of linking the two.

Evidence on the links between policies and outcomes in the context of green growth

Formulating policy priorities and recommendations to address environmental sustainability considerations in *Going for Growth* needs to take into account four types of effects:

- *The effect of pro-growth policies on economic growth.* The OECD and many researchers have long focused on understanding the effect of structural policies on productivity and employment growth. As a result, the empirical evidence is well developed, and has been the basis of *Going for Growth* in the past (for example, see Chapter 3 in OECD, 2017b).
- *The effect of environmental policies on the environment.* In principle, the main objective of environmental policies is to protect the environment. Yet, the empirical evidence on the environmental performance of environmental policies is surprisingly shallow (Dechezlepretre et al., 2019). In fact, the environmental effectiveness of policies tends to be more often assumed than

investigated. Epidemiology literature predominantly researches the link between pollution levels on public health and is usually less concerned with the precise origins of the changes in pollution levels. Economists tend to focus on environmental policies' effects on economic outcomes such as competitiveness. Still, drawing from an increasing number of studies linking environmental policies to the environment, and relatively well studied policy examples in particular in the United States and in Europe, it is safe to assume that more stringent environmental policies decrease pollution intensity and the reliance on the environment.

- *The two “cross effects”*: the effect of pro-growth policies on the environment and the effect of environmental policies on economic growth. These effects are less studied, while still crucial for the formulation of *Going for Growth* priorities and the evaluation of trade-offs in prioritisation.

Effect of pro-growth policies on the environment

The direct effects of pro-growth policies, such as labour market and product market reforms typically recommended in *Going for Growth*, on the environment are usually difficult to assess and often not of primary concern. The effects are likely to depend on the state of other domestic policies, in particular the stringency of specific environmental policies, details of implementation, or local conditions.

Most pro-growth *Going for Growth* policy recommendations would have indirect impacts on the environment via higher growth. There is an argument that growth causes environmental damage only up to a certain point after which it may reverse (for detailed reviews of the related literature, see e.g. Dina, 2004; Stern, 2004). However, even if this is true, the reversal is attributed to preferences for a clean environment and willingness to protect it, as well as to technology and the changing structure of the economy. These factors tend to evolve with income and are usually associated with more stringent environmental policies.

Thus, other things equal, growth leads to more environmental damage (Stern, 2004). For example, increased output can lead to an increased use of natural resources or increased commuting leading to more pollution. In particular, faster growth could reduce the environment's ability to deal with various environmental pressures, implying a trade-off between short-term growth gains and their longer-term sustainability. The “other things equal” assumption in the case of the effects of pro-growth policies on the environment means holding technology and the stringency of environmental policy signals constant. However, adequate design of pro-growth reforms should take into account the cost of environmental degradation by increasing the stringency of environmental policies or providing incentives for more environmentally-friendly innovation. This makes the case for incorporating environment externalities into the assessment of pro-growth reforms in *Going for Growth*.

Effect of environmental policies on growth

The empirical policy evidence on the effects of environmental policies on growth, competitiveness and employment is fairly rich, but relatively inconclusive. Most empirical investigations have focused on the adverse impact of environmental policies on competitiveness and productivity via higher cost from more stringent regulations (Kozluk and Zipperer, 2015; Dechezleprêtre and Sato, 2017; Kozluk and Timilotis, 2016). Others looked at potential productivity gains via innovation in new environmental technologies (Porter, 1991; Porter and van der Linde, 1995).

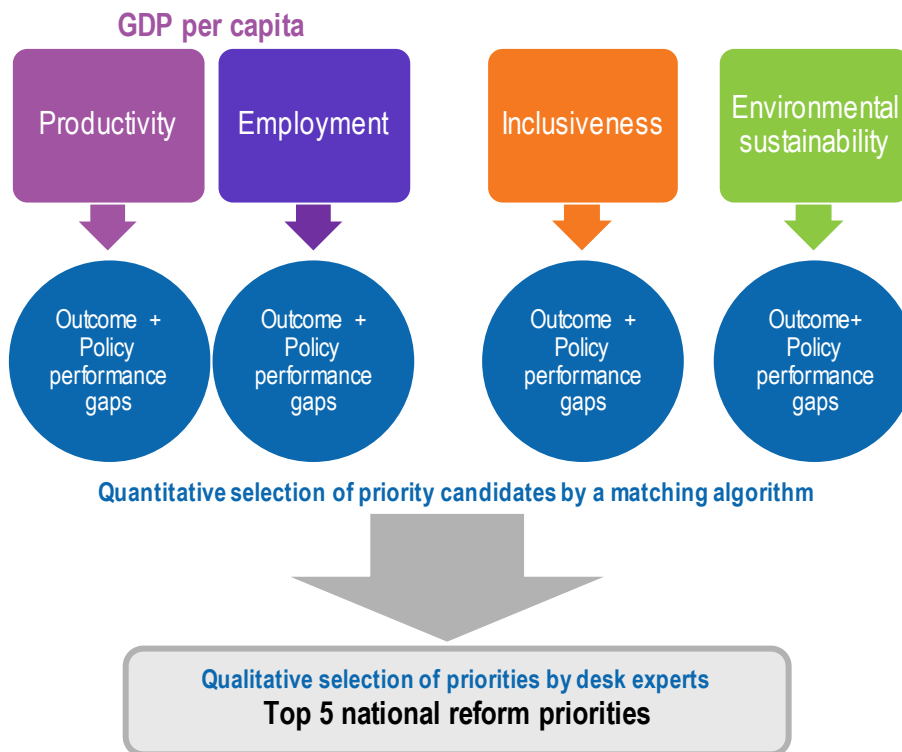
A broad interpretation of the empirical literature is that effects of more stringent environmental policies are context specific with a focus on short-term and partial equilibrium effects, which is not ideal from the point of view of *Going for Growth*. Effects of environment policies on economic outcomes tend to be negative or insignificant (though a notable amount of studies finds positive effects too) in the short to medium term. A general consensus seems to be that they are “small” relative to other changes going on in the economy and often depend on firm or industry characteristics. Moreover, most of the literature does not take into account the longer term or more general equilibrium gains from a cleaner, more sustainable natural environment.

The integration of green growth in *Going for Growth*

The integration of green growth in *Going for Growth* is a gradual and ongoing process, starting from the 2019 edition. The main steps in the selection of the Top 5 country-specific pro-growth priorities remain unchanged. Priorities are selected through a two-step process, combining quantitative insights on policy-performance gaps relative to the OECD average and qualitative OECD expertise. In the final step, tailor-made country-specific policy reform recommendations are formulated to address each of the Top 5 *Going for Growth* priorities.

Starting in 2019, the selection of priorities is based on a wider set of information including selected aspects of the environment (Figure 3.1).

Figure 3.1. The *Going for Growth* framework for identifying reform priorities

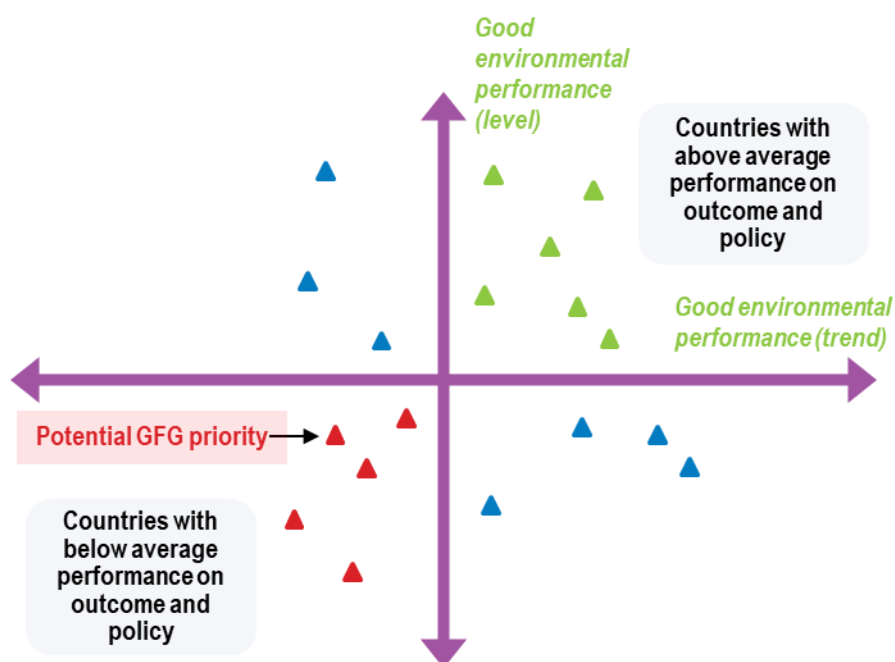


Note: The identification of environment performance gaps is based on policy-outcome pairs as well as on pure outcomes (trends and levels).

The quantitative identification of potential green growth priorities is based on an extended version of the policy-outcome matching used for the employment, productivity and inclusiveness dimensions with some key modifications:

- *The identification based on the matching of environmental policies with environmental outcomes.* This mirrors the approach for “classical” *Going for Growth* dimensions: productivity and employment, where pro-growth policies and relevant outcomes are matched. Environmental policy and outcome indicators allow for consistency across time through a matching under the assumption that policies affect outcomes with a lag. The scope of such matching remains limited due to the poor availability of environmental policy indicators.
- *Identification of environmental performance gaps.* Given the limited matching options, a second type of identification is adopted, based purely on gaps in performance on environmental outcomes. Countries with a performance gap on a specific indicator (e.g. emissions relative to GDP or per capita) would be identified if the performance was worse than the OECD average jointly for the level (e.g. above average emissions) and trend (e.g. emissions rising faster or falling slower than the average) (Figure 3.2).

Figure 3.2. An illustrative example of identifying an environmental performance gap



Note: Both the level (y axis) and change (x axis) are standardised by subtracting the OECD mean and by dividing with the standard deviation of the indicator.

The candidate priorities derived from this indicator-led exercise serve as guidance but have their limitations. Not everything can be measured in terms of available indicators, and many trade-offs cannot be quantified based on available knowledge. In particular, deciding on the relative importance of priority candidates requires country specific expertise. Hence, in the second step, a qualitative decision on the Top 5 priorities and the formulation of relevant recommendations is made together with OECD Country Desk experts, who draw on their expertise, and other OECD material, in particular Economic Surveys and OECD Environmental Performance Reviews.

Areas of green growth considered for integration in Going for Growth 2019: the dashboard

As with the integration of the inclusiveness dimension in *Going for Growth* (starting 2017), the integration of green growth is an ongoing process. Based on the stocktaking of indicators for tracking progress on green growth in the special chapter of *Going for Growth 2018* (OECD, 2018a), the initial focus is on a limited number of environmental areas. These are climate mitigation and air pollution, where the measurement and quantitative evidence on links to growth and well-being is most developed.

In the case of climate mitigation, indicators used are greenhouse gas emissions relative to GDP and per capita (excluding emissions from land use, land use change and deforestation where the measurement issues are most problematic), CO₂ emissions per capita and relative to GDP (both based on CO₂ emissions from energy) and the share of renewable energy sources in the energy mix.

For air pollution, indicators used are emissions of SO_x, NO_x and particulate matter (relative to GDP and per capita) as well as population exposure to harmful air pollutants (average and share of population exposed to fine particle levels above certain limits deemed as harmful).

On the policy side, two proxies of environmental and climate policy stringency are used, that is the OECD's Environmental Policy Stringency indicator (Botta and Kozluk, 2014) and the World Economic Forum's Executive Opinion Survey responses on stringency perceptions. These indicators are sufficiently general to be matched with both climate mitigation and air pollution outcomes. They also have a broad country coverage and time dimension. The effective carbon price could potentially be matched with climate outcomes directly, but this indicator is available only for 2012 and 2015 limiting the insights that can be drawn.

Examples of outcomes of the quantitative identification are reported in the Annex. Unsurprisingly, energy and resource intensive economies, such as Australia and Canada, stand out as performing poorest in terms of climate and air emissions. The United States, China, Russia, South Africa and Luxembourg, Korea and occasionally Japan also score poorly in terms of selected dimensions of climate mitigation performance. In terms of air pollution, large emerging-market economies tend to have high population exposures to fine particles (comparable emission data is not available) along with Korea, Japan and some European countries.

A wealth of green growth outcome and policy indicators are used as complement to the quantitative matching in the priority selection process. They are used to provide evidence of below-average performance in other areas, such as access to clean water and sanitation, land cover and land cover change, nutrient balances in agriculture and on policies, such as effective carbon rates fossil fuel subsidies and revenues from environmentally related taxation (OECD, 2017a; and 2018a). They are not included in the matching, due to a lack of sufficient country coverage or time series, a lack of relevance for a sufficient amount of countries, or a less clear or direct link to growth and well-being.

Countries with green growth *Going for Growth* priorities

Poor environmental performance or badly designed environmental policies can have adverse consequences for economic growth and well-being as well as the sustainability of improvements in them. As a result of explicitly taking these concerns into account in *Going for Growth*, 11 countries and the European Union have a 2019 *Going for Growth* priority that can be labelled as supporting more environmentally sustainable growth, that is a "green growth" priority (Table 3.1).

Table 3.1. *Going for Growth 2019* priorities directly addressing green growth challenges

| Country | Green growth challenge | <i>Going for Growth</i> priority | Policy recommendations to address the green growth priority |
|------------|--|--|---|
| Australia | Very high levels of GHG and other emissions | Advance on climate change mitigation policy | Stabilise and strengthen climate policy. Develop and implement coherent policy frameworks and targets. Support power sector transition with a market-based mechanism |
| China | Widespread pollution | Address pollution | Boost environmental ambitions and enforcement. Raise energy-related taxes |
| EU | High level of GHG emissions with respect to ambition, poor co-ordination between different levels governance | Strengthen the drive to fight climate change | Increase the price of greenhouse gas emissions and minimum tax rates on fossil fuel use. Improve consistency among targets and instruments. Consider including transport into the EU Emissions Trading System (ETS) |
| Estonia | Low energy efficiency and persistently high CO ₂ emissions | Promote efficiency in the regulation of energy markets | Reduce the share of oil shale in energy mix. Introduce a smart grid and raise incentives for increasing energy efficiency. Increase transport-related taxes |
| Iceland | Sustainability of large influx of tourists | Develop an economically, environmentally and socially viable tourism strategy | Remove subsidies for tourism activities. Limit the number of visitors to fragile sites and introduce user fees |
| India | Inefficient use of energy and water resources due to lack of infrastructure and distortive prices | Improve physical infrastructure and promote an efficient use of energy and water resources | Boost infrastructure investment. Improve pricing of energy, water and transport (e.g. road pricing and parking fees) |
| Indonesia | Poorly targeted energy subsidies | Continue to make energy prices more cost reflective | Continue to move away from fossil fuel subsidies. Review regulated energy tariffs and shift towards more targeted social assistance |
| Israel | Road congestion contributes to poor air quality | Develop public transport | Shift car taxes from ownership to use. Use road tolls to fund investments and improve the transparency of project selection |
| Japan | GHG emissions caused by increased dependence on fossil fuels | Promote green growth | Accelerate deployment of renewable energy sources and promote decarbonisation of the economy. Encourage green finance and investment |
| Luxembourg | Traffic congestion and air pollution | Increase infrastructure investment to improve environmental outcomes | Improve transport infrastructure (in particular public transport and energy), increase fuel taxes and introduce congestion charges |
| Poland | Regulatory instability. High share of coal in energy. Significant air pollution | Make energy infrastructure greener | Increase environmentally related taxes and enforcement of environmental rules. Reduce uncertainty and improve stability of policies |
| Turkey | High air pollution and tourism-induced transformations of coastal areas | Improve environmental performance | Increase scope and level of carbon pricing. Improve implementation and raise awareness of environmental challenges |

In China mounting problems with high levels of various types of pollution are already having long-lasting impacts on growth and well-being and are hence among the Top 5 priorities for action. Estimates of premature deaths in China attributed to ambient air pollution reach over one million people per year (Global Burden of Disease, 2016). The government has taken a number of significant policy actions to address these issues, but they are still insufficient and enforcement is a major challenge. *Going for Growth* recommendations include raising fines for violators and advancing further on reducing pollution from energy, agriculture and wastewater.

Australia, with the highest GHG per capita emissions in the OECD and poor performance in terms of decoupling both GHG and air pollution emissions from economic growth, has now a *Going for Growth* priority to strengthen climate policies to achieve Paris 2015 climate goals. Recommendations to address this priority include establishing an integrated national strategy and guiding the energy transition through an emissions reduction goal for the power sector supported by a market-based mechanism. The

European Union has a similar priority to strengthen and improve climate policies, their co-ordination and their consistency with ambitions as well as their cost-effectiveness. In particular, increasing the price of greenhouse gas emissions and the inclusion of transport under its emission trading system is recommended.

Luxembourg, with a high share of pollution emissions from transport, due to heavy commuting (though partly due to fuel tourism) has a priority to improve transport infrastructure and its environmental performance. Recommendations include improvements of rail connections, higher taxation of fuels and congestion charges.

Israel has a priority to develop public transport, in order to address problems of congestion and poor air quality. Recommendations focus on shifting car taxation towards use, using road tolls to fund public transport investment and a systematic publication of cost-benefit analysis of projects and justification of decisions.

Poland, with significant greenhouse gas emissions per capita and high population exposure to air pollution, has a priority to improve the environmental performance of the energy sector. Recommendations focus on raising environment-related taxation and reforms of tax incentives for innovation. A better alignment of climate policies with objectives is also recommended together with more stable policies and stronger enforcement of environmental rules.

Japan has a forward-looking green growth priority which is partly related to its post-Fukushima increase in reliance on fossil fuels. Carbon dioxide emissions per capita are higher than in 1990 and show no downward trend, making meeting climate goals a challenge. Recommendations include addressing barriers to renewable energy deployment, boosting green finance and investment as well as implementing the long-term climate mitigation strategy announced in mid 2019.

Estonia has a priority related to its inefficient and CO₂ intensive energy and transport sectors. *Going for Growth* recommendations include rolling out a modern, smart grid to reduce energy losses, incentives to increase efficiency in district heating coupled with incentives for household energy-saving investments, in particular for lower income households, and increased taxation of transport.

In the case of India, the infrastructure investment priority is also a green growth priority, targeting explicitly improving access to energy, water and sanitation as well as efficient use of energy and water resources. Infrastructure has been a long-standing *Going for Growth* priority for India, and the government has made progress, including with a programme to provide electricity to the last village in 2018. Yet, millions of individual households still remain without access to electricity, clean water and sanitation requiring, as recommended in *Going for Growth*, massive upgrading of infrastructure, cost-recovery price setting coupled with targeted financial support to the poorest households, more reliance on road pricing and parking fees to curb transport pollution.

Fossil fuel subsidies can increase the production and consumption of fossil fuels and related environmental externalities, while being poorly targeted to address the alleviation of poverty (IEA, OPEC, OECD and WB, 2011). In Indonesia, where the reduction of fossil fuel subsidies has been a long-standing *Going for Growth* priority, much progress has been made regarding electricity subsidies. However, other fuel subsidies have increased since the government decided to maintain domestic fuel prices fixed to shield consumers from rising oil prices as of 2018. Recognising these developments, starting in 2019 Indonesia has a *Going for Growth* priority to make energy prices more cost-reflective. The recommendations include shifting away from subsidies, reviewing the tariff regulation and continuing to shift to more targeted social assistance to address distributional concerns.

Finally, Iceland and Turkey have priorities on improving the environmental sustainability of specific aspects of their economies. In Iceland, tourism has been an important source of growth but may not continue to be so if the environment is not protected. Recommendations include limits on visitors to vulnerable sites, user fees and cutting tax subsidies for tourism activities. The Turkish priority is broader, addressing problems

with rapid urbanisation and growth being associated with high air pollution levels, CO₂ emissions, and water scarcity, which can be bottlenecks for future growth and population health. Recommendations include a more integrated approach to environmental and economic policy making, devoting more resources to enforcement and higher carbon pricing.

Countries with pro-growth priorities and green growth recommendations

Most countries do not have an explicit green growth priority among their Top 5 priority areas. However, for a large number of countries the “classic” pro-growth priorities now have recommendations that explicitly take into account environmental issues. These are described as having a green growth recommendation, but not a green growth priority per se (Table 3.2). The majority of these recommendations effectively raise the stringency of environmental policies making pollution costlier or lowering the costs of cleaner alternatives. They include introducing or increasing the use of instruments such as taxes and regulations, subsidies and other incentives or public investments, e.g. in low emission transport. Many of these recommendations were already present in the 2017 *Going for Growth*, but they are more explicitly formulated in the 2019 *Going for Growth*.

Table 3.2. *Going for Growth 2019* pro-growth priorities with green growth recommendations

| Policy priority area | Policy recommendations | Relevance for green growth | Countries with a green growth recommendation |
|--|--|---|---|
| Tax structure | Make the tax structure more conducive to growth by shifting the reliance from income taxes to the taxation of property and consumption | Increasing environmental taxes de facto increases the stringency of environmental policies and can improve incentives for decreasing negative environmental externalities | AUT, CAN, CHE, DEU, ESP, FIN, HUN, JPN, KOR, LVA, RUS |
| Tax base | Broaden the tax base, reduce tax expenditures | Phasing out tax expenditures that may encourage polluting behaviour can help curb pollution, emissions and environmental degradation | CAN, CHE, DEU, FIN |
| Agriculture (subsidies) | Reduce production and trade-distorting support to agriculture | Reducing producer support to intensive and inefficient agriculture can help reduce the pressures on the environment | CHE, EU, ISL, ISR, JPN, KOR, NOR, TUR |
| Infrastructure and network sector access and use pricing | Introduce or extend user road pricing | Infrastructure access and use pricing is key to ensure more environmentally sustainable use and lower negative environmental impacts | GBR, IND, LUX, NZL, USA |
| Infrastructure and network sector investment | Increase infrastructure investment and quality; improve its demand-responsiveness and governance | Better infrastructure can ease congestion and reduce transport-related emissions, improve energy efficiency, environmental performance and quality of utility services (e.g. improved market access, better water quality, lower network losses and better waste management). However, it can also increase or geographically shift demand, resulting in higher emissions. Its construction can cause the deterioration of landscapes such as deforestation | COL, DEU, EST, GBR, IND, IDN, ISR, LUX, LVA, USA |

A tax structure that is more growth and environment friendly

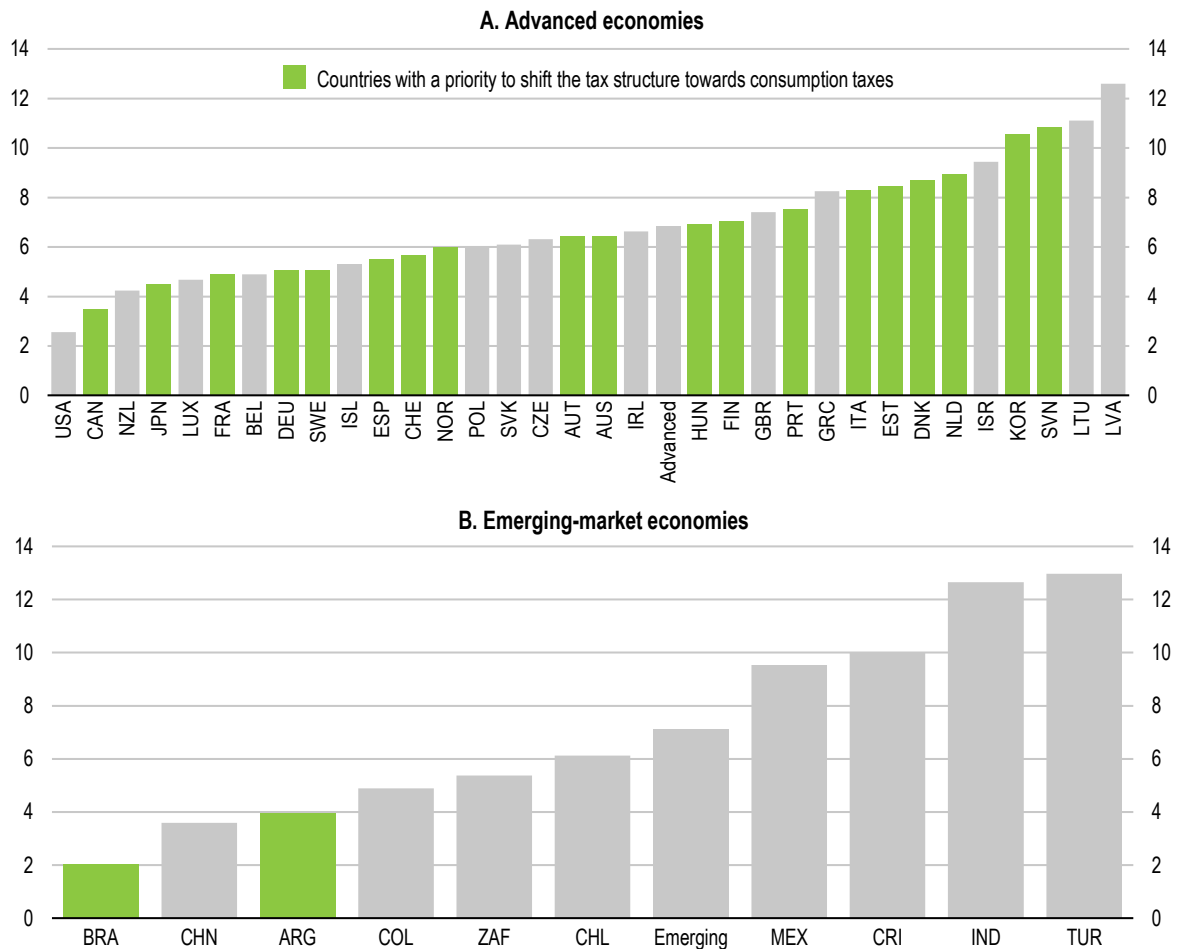
Shifting the tax burden away from direct income to consumption, immovable property and environmental externalities can have significant benefits in terms of GDP growth (OECD, 2015). Increased use of environmental taxation has the potential to improve pricing of externalities and discourage environmentally harmful behaviour. Notably, in the longer term, the scope of such a shift to other taxes may be limited. If environmental taxes actually succeed in their primary purpose to incentivise firms and households to decouple activity from the environment, the tax base should be shrinking over time.

In *Going for Growth 2019*, 23 countries - mainly advanced economies - have a priority to shift the tax burden away from income towards less growth distorting forms of taxation (Figure 3.3). In most of these cases, a general shift in taxes, for example to consumption or property taxation is recommended. However, in 11 countries, increasing environmental taxes is explicitly recommended and likely would result in incentives to decrease pollution and emissions. Countries where higher environmental taxes are recommended include Austria, Canada, Finland, Japan, Korea and Switzerland. In some cases recommendations are more specific. For example, in Germany the introduction of a NO_x tax is recommended and gradually adjusting energy tax rates to reflect carbon intensity. Increasing the taxation of fuels or energy is recommended in Hungary, Latvia and Spain, while in Russia the recommendation is to raise the taxation of profits in the extraction sector.

An additional effect of more reliance on environmental taxation and more stringent environmental policies, is the potential redirection of technological change towards more environmentally friendly innovation (Acemoglu et al., 2012). Higher environmental taxation may be particularly effective if it is combined with improved support to innovation, which is a priority in 16 economies.

Figure 3.3. Revenues from environmental taxes and priorities on shifting the tax structure

Percentage of total tax revenue, 2016¹



1. Data refer to 2015 for China, France and South Africa; 2014 for Brazil, Canada, Greece, Israel, Korea; 2011 for Colombia and India. Source: OECD, Environmental Policy Database.

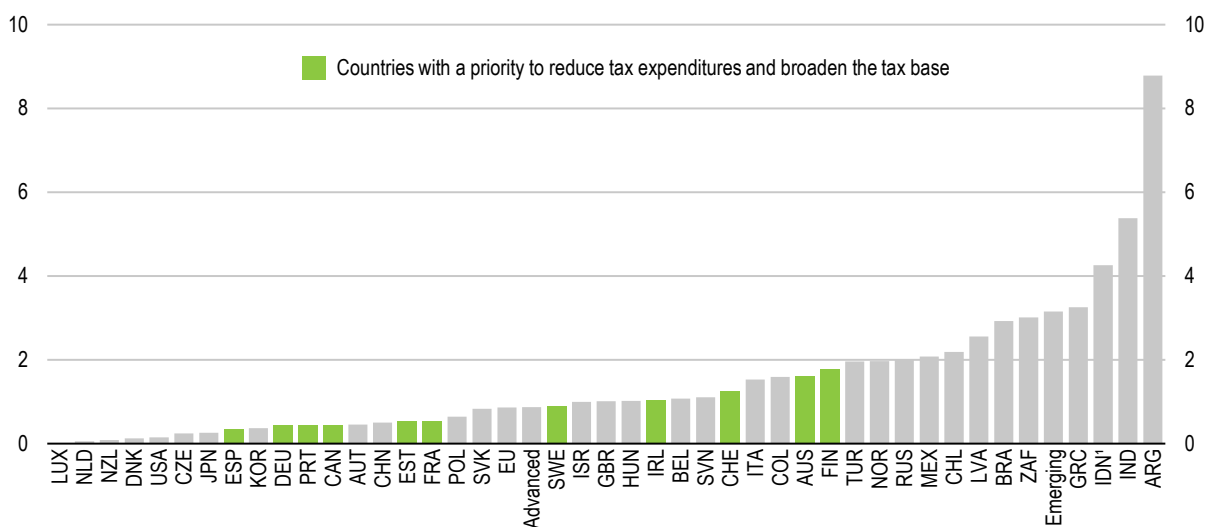
A broader and more environmentally-friendly tax base

Tax expenditures are intended to incentivise certain types of behaviours and activities. However, tax expenditures may be harmful to the environment by encouraging polluting behaviour, providing incentives for more construction, heating or driving. In particular, the consumption and production of fossil fuels are often encouraged via various types of tax expenditures.

Some 12 countries have a 2019 *Going for Growth* recommendations to broaden tax bases and reduce tax expenditures. Environmentally-harmful expenditures are only explicitly mentioned in the case of Finland, Germany and for Switzerland, where a removal of exemptions to the CO₂ levy and other environmental taxes is recommended. Still, a number of other countries with significant fossil fuel subsidies may benefit from reducing favourable tax treatment of environmentally-harmful activities and products, such as fossil fuels (Figure 3.4) or corporate cars. However, to the extent that some existing tax expenditures support more environmentally friendly solutions (e.g. commuting by public transport), scrapping them may be harmful for the environment.

Figure 3.4. Fossil fuel subsidies and priorities to broaden the tax base

Percentage of total tax revenue, 2016



1. Indonesia has a *Going for Growth* priority directly on making energy prices more cost-reflective and phasing out fossil fuel subsidies, but not on tax expenditures.

Source: OECD, Green Growth Database.

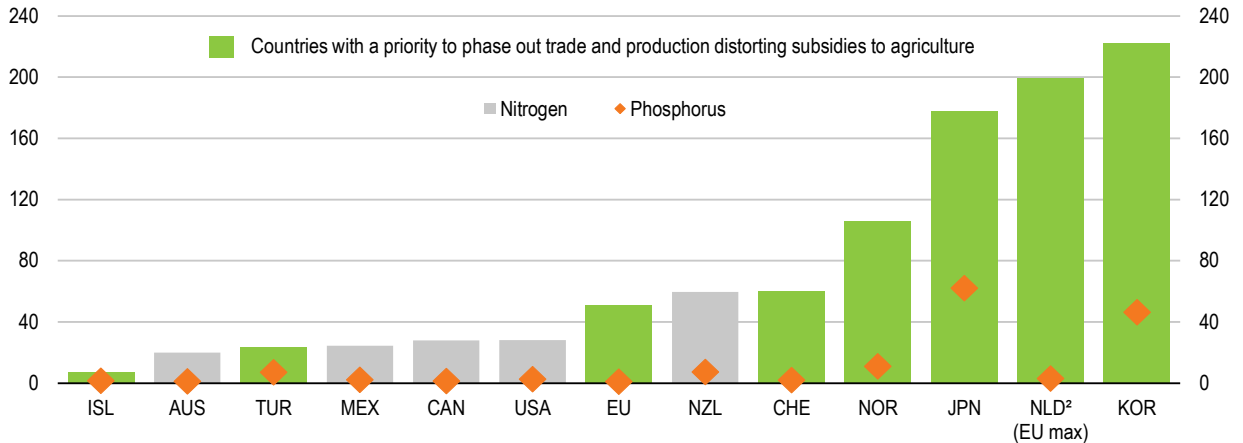
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More efficient and environmentally sustainable agriculture

Agriculture has important and broad ranging implications for the environment, in particular air and water pollution, land use and biodiversity. One of the channels is via nutrient balances, where a nutrient surplus leads to an increased risk of polluting soil, water and air. In this context, reducing producer support to intensive and inefficient agriculture, which is a *Going for Growth* priority in Japan, Korea, Norway, Switzerland and the European Union where nutrient surpluses are particularly high (Figure 3.5), can help reduce the pressures on environment and make growth more environmentally friendly. In particular, for Switzerland, the recommendations include making direct payments conditional on environmental outcomes, introducing a tax on polluting inputs (fertilisers) or outputs (methane from livestock) and scrapping the exemption of the mineral oil tax for farmers. In the case of the European Union, targeting agricultural support to better match environmental and climate mitigation objectives is recommended. Similarly, strengthening the link between environmental policy objectives and agriculture support is recommended for Norway.

Figure 3.5. Nutrient surpluses and priorities to phase out agricultural subsidies

Nutrient balance, Kilograms per hectare, 2016¹



1. Nutrient balances provide information about environmental pressures. A nutrient deficit (negative value) indicates declining soil fertility. A nutrient surplus (positive data) indicates a risk of polluting soil, water and air. The nutrient balance is defined as the difference between the nutrient inputs entering a farming system (mainly livestock manure and fertilisers) and the nutrient outputs leaving the system (the uptake of nutrients for crop and pasture production). Data refer to 2017 for Canada; 2015 for Australia, Mexico, the United States, the European Union, Japan, Korea and Switzerland.

2. The Netherlands does not have an agricultural policy priority. The priority is for the EU as a whole.

Source: OECD, Environmental performance of agriculture - nutrients balances.

StatLink  <https://doi.org/10.1787/888933954553>

Greener infrastructure

Transport, energy, water, wastewater and waste infrastructure have potentially strong impacts on the environment. These impacts can go both ways, depending on local conditions and implementation details. Better infrastructure, its management and pricing can ease congestion and reduce transport-related emissions (e.g. through more efficient public transport). It can also improve energy efficiency, environmental performance and quality of utility services (e.g. better water quality, lower network losses and better waste management). In particular, in emerging-market economies, poor access to clean water, sanitation or electricity can be bottlenecks for growth.

Countries like the United States, Colombia, Germany, Israel, Estonia, Latvia, Luxembourg and the United Kingdom have explicit recommendations to improve mass transit and low-emission transport mode provision. Luxembourg, the United Kingdom and New Zealand have recommendations to introduce road pricing or congestion charges, which should bring about some local environmental benefits. For the United States, where emissions from transport are particularly high, the recommendations include user fees that encourage the internalisation of broader costs of transport, including carbon emissions and particulate matter. For India, increasing reliance on road pricing and parking fees are recommended to restrain car usage and reduce pollution.

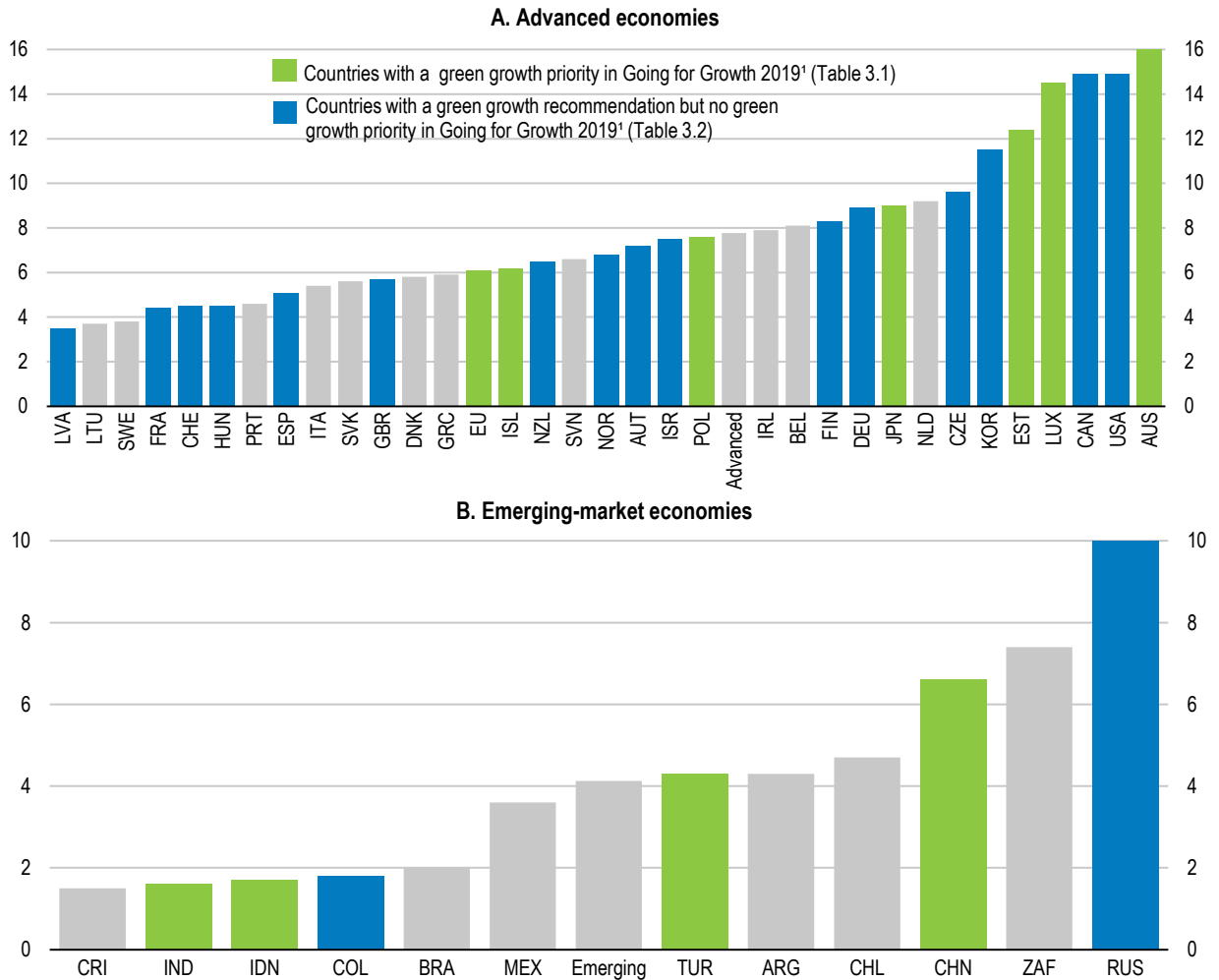
The provision of new infrastructure can increase or geographically shift demand, resulting in higher emissions while its construction can cause the deterioration of landscapes and biodiversity, for example due to deforestation. In this respect, Norway has a recommendation to improve project selection. Colombia, Costa Rica, Israel and Italy have a recommendation to increase and improve the use of cost benefit analysis in the selection of viable infrastructure investment projects, which should reduce the environmental impact of newly built projects. France has a recommendation to allocate responsibilities of local infrastructure and urban planning to municipality groups to deal with environmental and other spillovers.

The rule of law and enforcement of policies

For environmental policies to be effective, they need to be enforced. Countries with poor rule of law tend to also suffer from poor enforcement of environmental policies. Examples where *Going for Growth 2019* recommendations to improve rule of law which could particularly benefit environmental performance include Greece (with an explicit mention of poor performance in waste management), Italy, Portugal, China, Indonesia and Mexico. However, given the breadth of this priority, it has not been counted as green growth per se.

Environmental performance of countries with green growth priorities and recommendations

In part reflecting the quantitative aspect of the *Going for Growth* exercise, countries with priorities and recommendations identified as supporting green growth tend to be those with relatively high CO₂ emissions per capita and population exposure per capita (Figure 3.6 and Figure 3.7). This does not mean that environmental damage or environmental sustainability are not important in countries with no green growth priorities among the Top 5, or without green growth recommendations. As measurement, data and evidence improve, the integration of green growth in *Going for Growth* can be systematically extended to cover a broader range of environmental aspects.

Figure 3.6. CO₂ emissions and green growth priorities and recommendationsCO₂ emissions, tonnes per capita, 2016

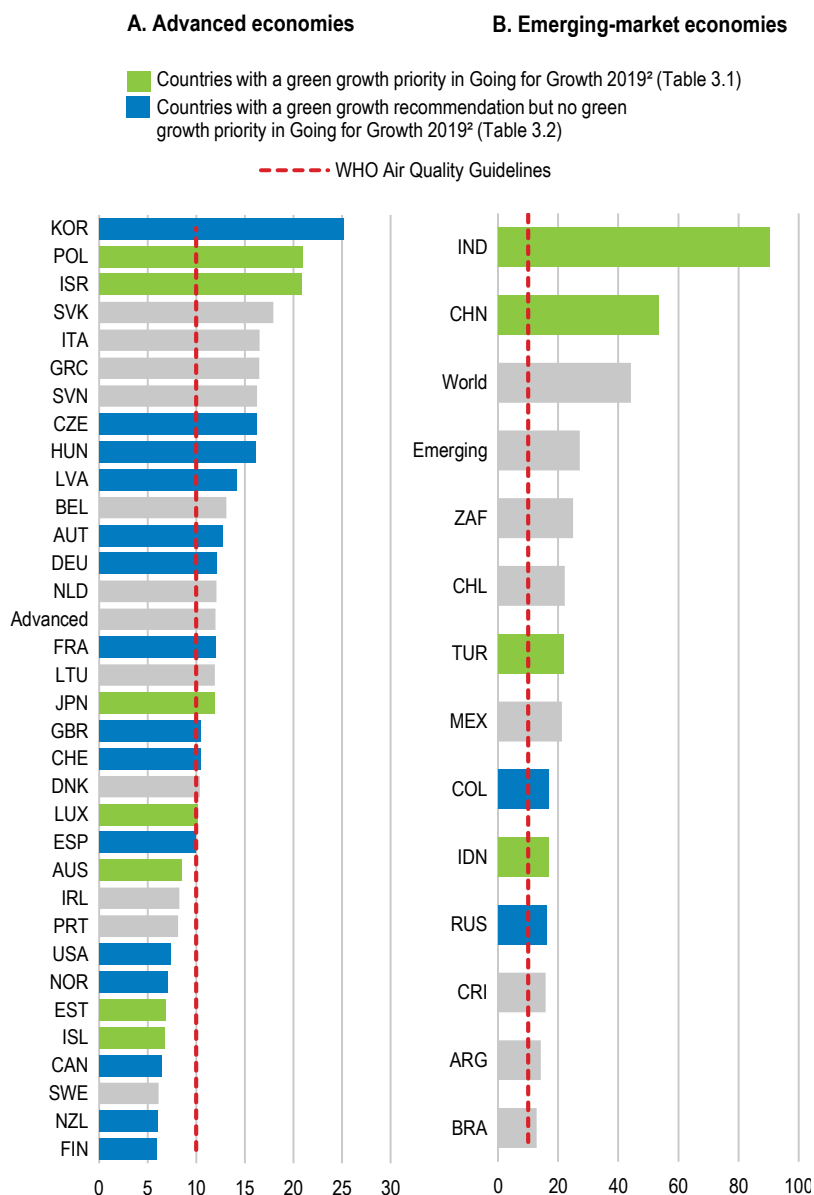
1. Countries are labelled as having a green growth priority (green colour) if among the Top 5 *Going for Growth* reform priorities at least one explicitly addresses environmental sustainability. See Table 3.1 in the text for details. Countries are labelled as having a green growth recommendation (blue colour) if they do not have an explicit green growth priority, but have policy recommendations that can also improve environmental sustainability as part of pro-growth priorities. See Table 3.2 for details.

Source: OECD, Energy Database.

StatLink  <https://doi.org/10.1787/888933954572>

Figure 3.7. Air pollution exposure and green growth priorities and recommendations

Mean population exposure to outdoor PM_{2.5}¹ Micrograms per cubic metre, 2017



1. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources) are derived from satellite observations, chemical transport models and ground monitoring stations. They are measured in micrograms per cubic metre. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data. Data refer to 2015 for Turkey.

2. Countries are labelled as having a green growth priority (green colour) if among the Top 5 *Going for Growth* reform priorities at least one explicitly addresses environmental sustainability. See Table 3.1 in the text for details. Countries are labelled as having a green growth recommendation (blue colour) if they do not have an explicit green growth priority, but have policy recommendations that can also improve environmental sustainability as part of pro-growth priorities. See Table 3.2 for details.

Source: OECD (2017b), Green Growth Indicators 2017.

StatLink  <https://doi.org/10.1787/888933954591>

Green and inclusive growth in *Going for Growth*

In the context of *Going for Growth*, policy reforms to boost growth and those to improve the environment may also interact with the inclusiveness dimension (see Box 3.1). A detailed analysis of such interactions goes beyond the current scope of *Going for Growth*, but some potential trade-offs and unintended consequences should be recognised:

- *The removal of fossil fuel subsidies* is likely to reduce domestic emissions, in particular in some emerging-market economies, where subsidies tend to be the highest. However, many consumer subsidies are aiming at targeting energy poverty and accessibility of remote locations (to markets, schools) and as such their removal may particularly impact vulnerable parts of the society. A wealth of evidence has shown that fossil fuel subsidies are rather inefficient at addressing poverty, primarily due to poor targeting (IEA, OPEC, OECD and WB, 2010). Nevertheless, in countries with poorly developed institutions and social safety nets, their removal poses challenges that need to be addressed with well enforced compensatory and targeted measures.
- *Higher reliance on environmental taxation* can have adverse distributional consequences if poorer households rely relatively more than higher income households on goods that will be taxed more (Flues and Thomas, 2015).
- *Road pricing* can improve the emission performance of transport by reducing congestion. However, high prices of access to urban areas may be particularly harmful for poorer commuters, especially if the public transport quality and accessibility are deficient.
- *Easing zoning and land regulation* can in principle increase the availability of housing, but may encourage urban sprawl and through increasing commuting distances contribute to higher emissions from transport or their displacement, increasing pollution elsewhere.

Such potential trade-offs are a concern for policy-makers and tools are available to deal with many of them. For example, a tax reform that increases environmental taxation or reduces environmentally harmful subsidies may provide revenues that can mitigate their undesirable effects on consumption and income inequality (Flues and Van Dender, 2017). Similarly, road pricing may provide revenues to invest in infrastructure, in particular public transport.

Box 3.1. Selected evidence on the links between the environment and inclusiveness

Most of the attempts to look at the link between environmental policies and inclusiveness can be classified in two broad inter-related categories – income and consumption focused. Income-focused studies tend to look at the losers and winners from structural changes to the economy induced by green growth, such as job losses and gains in certain industries or regions; or the beneficiaries of revenues generated from (environmental) taxes (e.g. Flues and Van Dender, 2017). A related literature looks at the losers and winners on the consumption side, that is from the price effects of environmental taxes (e.g. Flues and Thomas, 2015) and less commonly, though potentially as importantly, of regulations (Fullerton and Muehlegger, 2017 and Levinson, 2016).

The outcomes of empirical analyses are very context-specific and rely largely on the overall tax and transfer system design and national safety nets. They are also better geared to capture short-term transition and partial equilibrium effects. Notably, there is also a scarce but emerging literature on the distributional effects of environmental damages and consequently of the benefits of environmental protection. The results are still far from established (Hsiang et al., 2017 for a review).

Going for Growth is a high-level summary of country specific reform priorities and the interactions among the key dimensions: productivity, employment, inclusiveness and the environment are not explicitly addressed. Yet, they are a key consideration in the qualitative part of priority selection. First, the top 5 *Going for Growth* priorities cover a mix of the dimensions which need to be addressed in a coherent manner to achieve strong, inclusive and sustainable growth. Second, in the actual reform recommendations, where there is room for more details, Country Desks attempt to combine dimensions, including dealing with potentially undesirable side-effects (see Country Notes). Finally, *Going for Growth* is a summary of OECD policy advice for countries. The details on how exactly such recommendations should be implemented, how they can be fine-tuned or accompanied with supplementary measures as well as on the surrounding political economy considerations can be found in OECD Country Surveys, dedicated thematic OECD publications and Environmental Performance Reviews.

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Annex 3.A.

Annex Table 3.A.1. Environmental performance gap identification – climate and air pollution

| Environmental domain | Indicators | Countries with performance below OECD average on both the level (4 most recent years) and change over time (~20 years) |
|----------------------|---|--|
| Climate | GHG per capita | AUS, EST, ISL, KOR, LUX, NZL, RUS |
| | GHG to GDP | AUS, BRA, CAN, GRC, ISL, ISR, KOR, MEX, NZL, USA |
| | Energy based CO ₂ per capita | AUS, CAN, EST, ISR, JPN, KOR, LUX, RUS, ZAF |
| | Energy based CO ₂ to GDP | ARG, AUS, CAN, CHN, CHL, DEU, GRC, IND, ISR, JPN, KOR, LUX, MEX, NLD, NZL, TUR, USA, ZAF |
| Air pollution | Share of renewables in the energy mix | ARG, AUS, BEL, CAN, CHN, FRA, ISR, JPN, KOR, LUX, MEX, NLD, POL, RUS, TUR, USA, ZAF |
| | Mean exposure to PM _{2.5} (population weighted) | AUT, CHE, CHL, CHN, CZE, GRC, IND, ISR, ITA, JPN, KOR, LTU, POL, RUS, SVK, SVN, TUR, ZAF |
| | PM _{2.5} exposure: Population above 25 µg/m ³ threshold | CHL, CHN, IND, ITA, KOR, TUR, ZAF |
| | PM _x emissions per capita ¹ | CAN, LVA, SVN, TUR, USA |
| | PM _x emissions to GDP ¹ | CAN, SVK, SVN, TUR, USA |
| | NO _x emissions per capita ¹ | AUS, EST, ISL, NOR, NZL |
| | NO _x emissions to GDP ¹ | AUS, CAN, GRC, ISL, NZL, TUR |
| | SO _x emissions per capita ¹ | AUS, ISL, TUR |
| | SO _x emissions to GDP ¹ | AUS, ISL, TUR |

1. Indicates sample that covers a subset of OECD countries only.

Annex Table 3.A.2. Environmental performance and policy gap identification – climate and air pollution

| Environmental domain | Indicators | Countries with performance below OECD average on both the level of environmental outcome (4 most recent years) and environmental policy stringency (level) | Countries with performance below OECD average on both the change over time in environmental outcome (~20 years) and environmental policy stringency (level) |
|----------------------|---|--|---|
| Climate | GHG per capita | RUS, USA, IRL, CZE, KOR | BRA, RUS, TUR, KOR, PRT, POL |
| | GHG to GDP | RUS, BRA, GRC, CZE, POL, SVN, USA, KOR | BRA, TUR, PRT, GRC, ESP, KOR, USA |
| | Energy based CO ₂ per capita | ZAF, RUS, USA, CZE, KOR, BEL | CHN, BRA, IND, ZAF, RUS, TUR, KOR, POL |
| | Energy based CO ₂ to GDP | ZAF, RUS, IND, CHN, TUR, GRC, CZE, SVN, POL, KOR, USA, BEL | BRA, ZAF, IND, TUR, GRC, PRT, CHN, ESP, KOR, USA |
| | Share of renewables in the energy mix | ZAF, RUS, TUR, IRL, CHN, GRC, ESP, SVN, CZE, BEL, KOR, POL, USA, HUN | BRA, IND, ZAF, RUS, CHN, TUR, KOR, USA, BEL, POL |
| Air pollution | Mean exposure to PM _{2.5} (population weighted) | IND, CHN, ZAF, RUS, KOR, TUR, GRC, POL, CZE, SVN, HUN, BEL | ZAF, RUS, IND, TUR, CHN, SVN, GRC, PRT, ESP, KOR, CZE, POL, HUN |
| | PM _{2.5} exposure: Population above 25 µg/m ³ threshold | IND, CHN, ZAF, KOR, TUR, POL | ZAF, RUS, IND, TUR, CHN, GRC, KOR, USA |
| | PM _x emissions per capita ¹ | TUR, SVN, USA | HUN, ESP, SVN |
| | PM _x emissions to GDP ¹ | TUR, SVN, USA | HUN, ESP, TUR, PRT, SVN, USA |
| | NO _x emissions per capita ¹ | USA | TUR, KOR, PRT, POL |
| | NO _x emissions to GDP ¹ | TUR, GRC, SVN, CZE, POL, USA | GRC, TUR, PRT, ESP, KOR |
| | SO _x emissions per capita ¹ | TUR, POL | TUR, KOR |
| | SO _x emissions to GDP ¹ | TUR, GRC, POL | TUR, KOR |

1. Indicates sample that covers a subset of OECD countries only.

4 Country notes

This chapter contains the detailed *Going for Growth* 2019 country notes for OECD and key non-member economies. Each country note lists the Top 5 priority challenges facing the country, reform recommendations on how to address these challenges and reports recent reform actions in the areas.

Argentina

The gap in GDP per capita relative to the upper half of OECD countries remains sizeable, reflecting low productivity and labour utilisation. Investment growth has accelerated, but an important infrastructure gap remains.

Poverty and inequality remain high by OECD standards. The quality of education remains poor, contributing to low social mobility. Greenhouse gas emissions per capita are well below the OECD average and population exposure to air pollution is lower than in other emerging-market economies. New sources of renewable energy are being developed.

A recent tax reform will reduce highly distortive taxes and strengthen incentives for the formalisation of low-income earners. Import tariffs have been reduced for selected products and a new competition law has been passed. Progress has also been made on scaling back regressive energy subsidies, freeing resources for spending with a better social and environmental footprint.

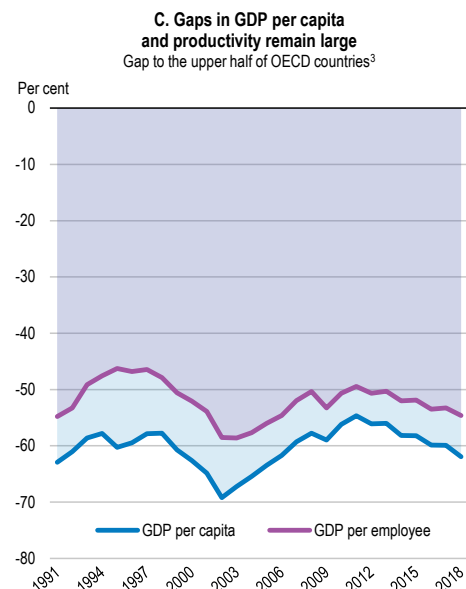
Reducing trade barriers will allow firms to reap the benefits of integration into the global economy and strengthen competitiveness and export performance. This will translate into more productive and better-paid jobs. More needs to be done in the areas of product market regulation and competition to allow a more efficient allocation of resources. Reducing educational inequalities and improving skills throughout the working life would increase employment and labour productivity. In particular, technical courses will improve the employment prospects of those with low skills. Improving access to quality childcare would encourage higher female labour participation and foster growth and inclusiveness.

Growth performance, inequality and environment indicators: Argentina

| A. Growth | | |
|---------------------------------|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 7.0 | -1.0 |

| B. Inequality and environment | | |
|---|-------------|-------------------|
| | | Level |
| | | 2017 |
| Gini coefficient ¹ | | 40.6 (31.7)* |
| Share of national disposable income held by the poorest 20% | | 5.2 (7.6)* |
| | | Average of levels |
| | 2015 | 2010-2012-2015 |
| GHG emissions per capita ² (tonnes of CO ₂ equivalent) | 8.8 (12.3)* | 8.9 (12.8)* |
| GHG emissions per unit of GDP ² (kg of CO ₂ equivalent per USD) | 0.5 (0.3)* | 0.5 (0.4)* |
| Share in global GHG emissions ² (%) | 0.8 | 0.8 |

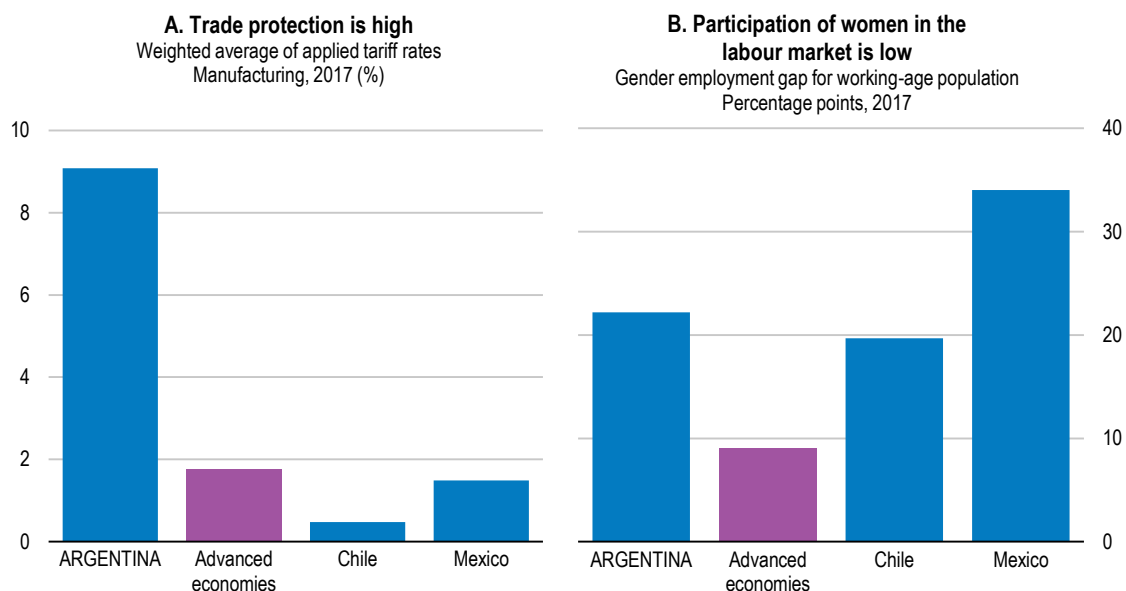
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases and World Bank, World Development Indicators (WDI) Database; International Energy Agency (IEA), Energy Database; Panel C: OECD, Economic Outlook Database; International Labour Organisation (ILO), Key Indicators of the Labour Market (KILM) Database.

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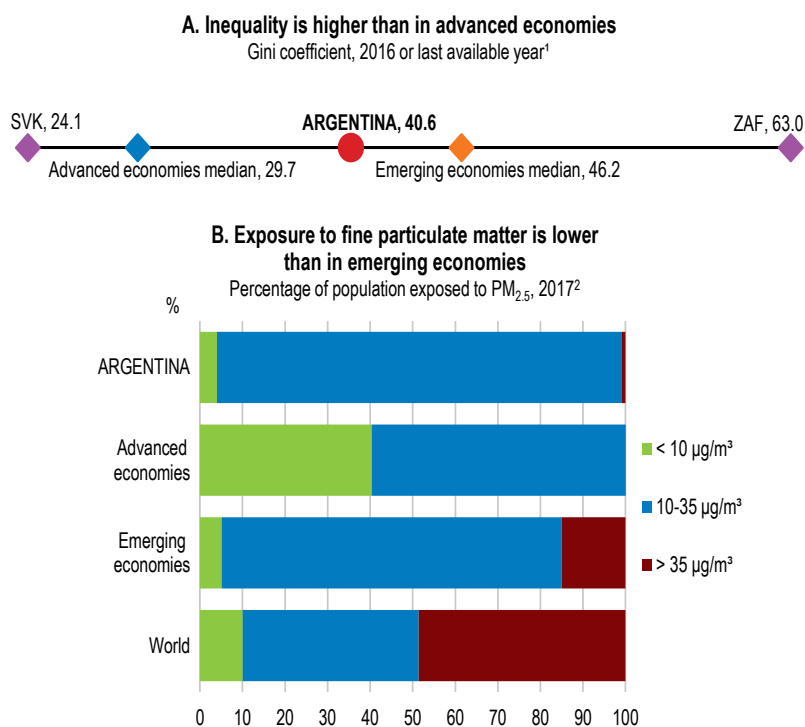
Policy indicators: Argentina



Source: Panel A: World Bank, World Integrated Trade Solution Database; Panel B: OECD, Labour Force Statistics Database and Instituto Nacional de Estadística y Censos de la República Argentina (INDEC).

StatLink  <https://doi.org/10.1787/888933955484>

Beyond GDP per capita: Argentina



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink  <https://doi.org/10.1787/888933956358>

Argentina: *Going for Growth 2019* priorities

Reduce barriers to trade and regulatory burdens. High trade and regulatory barriers curtail competition, affecting competitiveness, exports and integration into global value chains.

- **Actions taken:** Tariffs have been cut to zero for notebook and tablet computers in 2017. The number of products subject to non-automatic import licenses has been reduced continuously since 2017 but still contains over 1000 products. Administrative burdens have been eased, including with the creation of a single window in 2017.
- **Recommendations:** Reduce tariffs through a combination of new trade agreements and unilateral action to foster a stronger integration into the world economy. Raise competition by reducing administrative barriers to trade and entrepreneurship.

Enhance outcomes and equity in education. Educational outcomes remain far below OECD standards, and are strongly linked to students' socio-economic status. Better education can help reduce income inequality.

- **Actions taken:** A new long-term plan for reforming secondary education has been designed although the exact timing of its implementation is not yet defined.
- **Recommendations:** Invest more in early childhood education to reduce the gap generated by family environments early in life. Reshape teacher careers and support their professional growth early on. Scale up the current offer of vocational and lifelong education, and in particular technical courses and training to help displaced workers find new jobs. Strengthen the linkages between school and tertiary curricula and the labour market. Properly assess and anticipate skills needs to boost innovation and respond to future labour-market needs.

Improve infrastructure and reduce regional disparities. Significant gaps in infrastructure restrain economic growth and job creation, while contributing to wide regional income inequalities.

- **Actions taken:** In 2017, public infrastructure investment has risen and a number of key projects have been started. A new airport for low-cost flights in Buenos Aires has commenced operations in 2018. In face of fiscal adjustment, several infrastructure projects are now being developed as public-private partnerships.
- **Recommendations:** Implement planned infrastructure projects – both those planned as public investment and as public-private partnerships – to promote connectivity and intraregional trade within the country. Improve the capacity of subnational governments to execute projects without unnecessary delays.

Facilitate labour force participation of women. Increasing participation of women in the labour force can have a significant impact on economic growth and reduce income inequality.

- **Actions taken:** A draft law to promote gender equality was submitted to Congress in 2018.
- **Recommendations:** Increase spending on active labour market policies to help improve skills and promote employment opportunities for women. Continue improving access to quality childcare for children under 3 years of age. Reduce tax disincentives for women to work. Work towards a more equal system of paternity and maternity leave and promote equal pay. Promote gender diversity in leadership positions in public sector and private companies, notably by promoting transparency on gender balance and establishing gender goals in management.

Continue improving the efficiency of the tax system by broadening tax bases and moving towards less distortive taxes. Despite recent progress, the tax system could do more to encourage productivity growth and reduce inequality.

- **Actions taken:** A 2017 tax reform has established a timeline for the gradual reduction of provincial revenue-based taxes and has reduced the disincentives for hiring low-wage workers on formal contracts.
- **Recommendations:** Continue with the planned implementation of scaling back distortive taxes such as provincial revenue-based taxes and those on financial transactions. Broaden tax bases in personal income taxation by bringing more people into the personal income tax system and eliminate loopholes like the preferential tax treatment of certain investment incomes.

Australia

Catch-up in income per capita relative to the upper half of OECD countries has paused since 2011, as growth has lagged, affected by lower commodity prices and reduced resource-sector investments.

Inequality remains slightly above the OECD average, both in terms of the Gini coefficient and the share of national disposable income held by the poorest 20%. Inequality has nevertheless been stable since 2000. Greenhouse gas emissions per capita are the highest in the OECD and have changed little over the past two decades.

Australia has continued implementing a school reform that gives greater weight to socio-economic factors. More recently, the Review to Achieve Excellence in Australian Schools provides a push to further improve delivery, assessment and evidence base in education. Progress has been made in reducing corporate taxes and the 2018-19 budget includes a commitment to reduce personal income taxes. Enhancing the framework for innovation has been dropped as a stand-alone Going for Growth priority. It nevertheless remains an important policy area, and has thus been integrated with the "framework conditions" priority.

Raising medium-term growth should focus on improving the business environment and strengthening competition, boosting skills and improving the efficiency of the tax system. Continued challenges in climate-change policy have warranted inclusion in the key priorities.

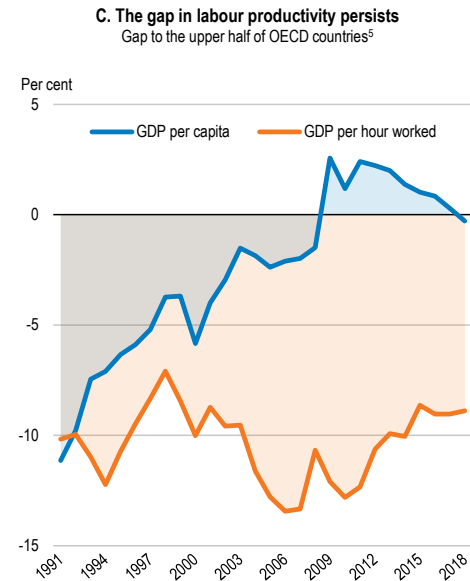
Growth performance, inequality and environment indicators: Australia

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.8 | 1.0 |
| Labour utilisation | 1.0 | 0.3 |
| of which: Labour force participation rate | 0.6 | 0.4 |
| Employment rate ¹ | 0.4 | 0.0 |
| Employment coefficient ² | 0.0 | 0.0 |
| Labour productivity | 0.6 | 0.8 |
| of which: Capital deepening | 0.5 | 0.5 |
| Total factor productivity | 0.1 | 0.3 |
| Dependency ratio | 0.2 | -0.1 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2012-16 |
| Gini coefficient ³ | 33 (31.7)* | 0.1 (0)* |
| Share of national disposable income held by the poorest 20% | 7.3 (7.6)* | 0 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 21.7 (10.9)* | 23 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.5 (0.3)* | 0.5 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 1.3 | 1.3 |

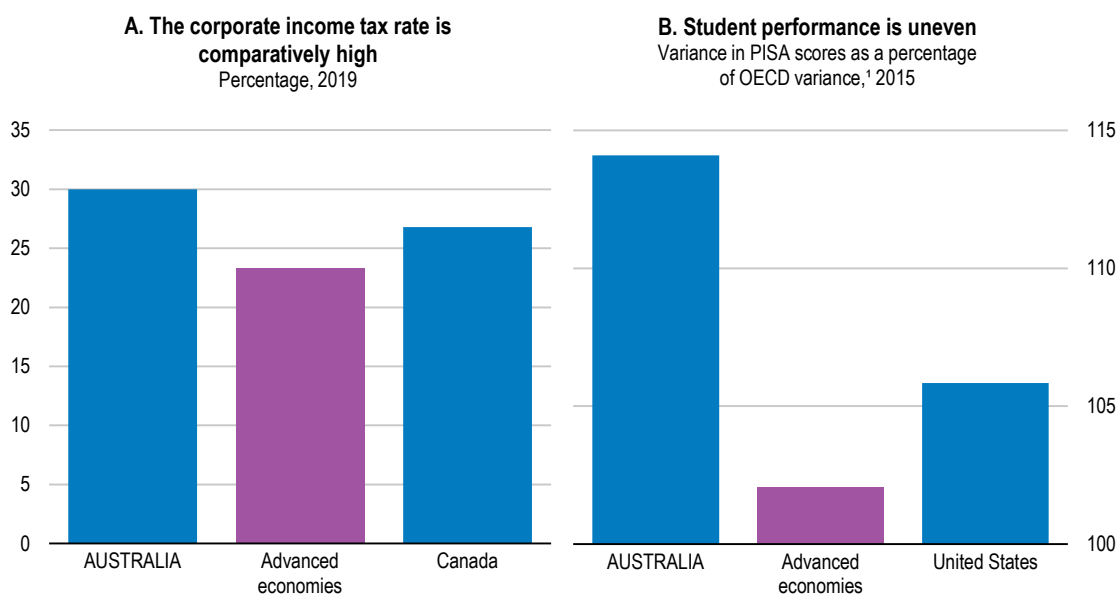
* OECD simple average (weighted average for emissions data)

Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.



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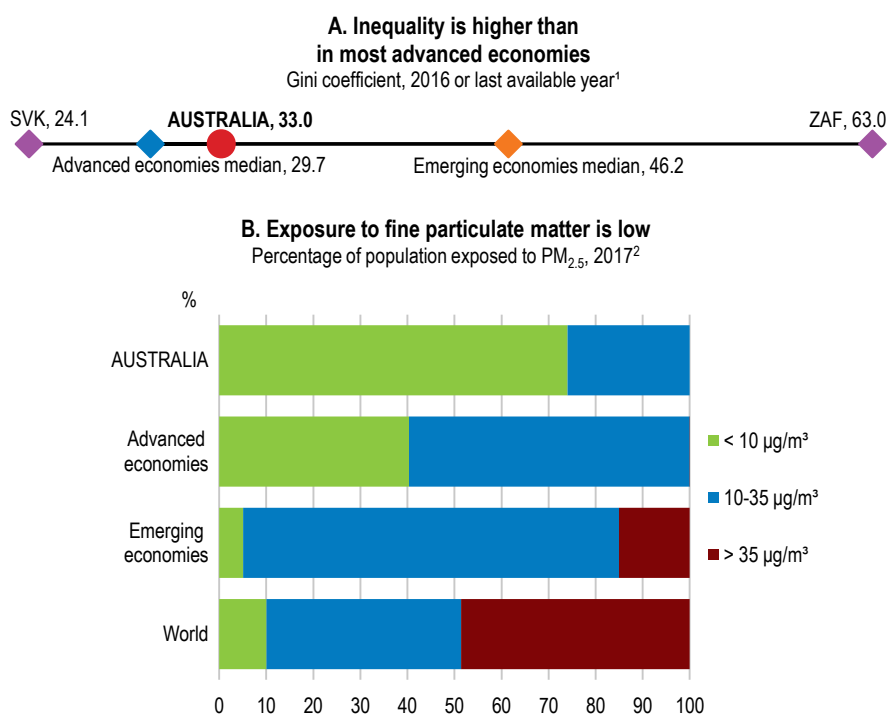
Policy indicators: Australia



Source: Panel A: OECD, Tax Database; Panel B: OECD, PISA Database.

StatLink  <https://doi.org/10.1787/88893395503>

Beyond GDP per capita: Australia



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink  <https://doi.org/10.1787/888933956377>

Australia: *Going for Growth 2019* priorities

Improve framework conditions for businesses and strengthen competition. Boosting productivity growth requires attention to the framework conditions in which businesses operate.

- **Actions taken:** Implementation of measures on strengthening competition continues (following the 2015 Harper Review) along with a boost to public infrastructure projects. Innovation policy has been given renewed impetus, including through strengthened incentives in the R&D tax credit in the 2018-19 budget. Amendments to insolvency legislation to facilitate restructuring have been made.
- **Recommendations:** Improve market functioning on the numerous specific issues identified in reviews, including product standards (for instance there is room to adopt international product standards more widely to reduce red tape), professional and occupational licencing (the scope of services controlled by the licencing is often broader than necessary). Continue improving the environment for innovation, with particular attention to strengthening university-business linkages.

Improve performance and equity in education. Better education and skills will improve Australia's growth capacity and raise living standards.

- **Actions taken:** Implementation of a multi-year school reform which gives greater weight to socio-economic factors in funding allocation is ongoing. A recent government review, the Review to Achieve Excellence in Australian Schools, pushes to further improve delivery, assessment and evidence base in education. In addition, lack of quality control over course providers in the rapidly expanding VET sector has started to be addressed.
- **Recommendations:** Press on with reforms proposed in the Review, in particular the shift to individual learning progression and establishment of a national research and evidence base institution. Ensure better oversight in the VET sector and strengthen its delivery of literacy and numerical skills to weak students, both young and mature. Further improve access to early-childhood education, especially for disadvantaged households.

Improve the efficiency of the tax system. Shifting from comparatively heavy taxation of incomes to more consumption taxes would make the tax mix more growth friendly.

- **Actions taken:** Progress has been made in lowering corporate taxes for SMEs. The 2018-19 federal budget includes short- and medium-term reductions in personal income taxes.
- **Recommendations:** Raise the rate of goods and services tax and widen the base. Further cuts in direct taxation – in particular on big firms – and the removal of inefficient taxes (for instance, many state-level fees and charges) could bring substantial returns.

***Advance on climate change mitigation policy.** Australia needs to firm up and improve the co-ordination of greenhouse-gas reduction measures to achieve the Paris Agreement goals.

- **Recommendations:** Stabilise and strengthen climate-change policy. Develop and implement a national, integrated energy and climate policy framework for 2030 based on a low-emission development strategy for 2050, in line with the Paris Agreement objective. Guide the energy transition through an emissions reduction goal for the power sector supported by a market based mechanism.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Improve opportunities and outcomes for indigenous communities. Well-being gaps between indigenous communities and the rest of the population remain large, notably in life expectancy and employment rates.

- **Actions taken:** No action taken.
- **Recommendations:** Give indigenous communities a greater role in policy design and implementation.

Austria

A small GDP per capita gap with respect to the upper half of OECD countries has emerged since 2011. Part-time work has increased faster than in comparable countries, notably among women. Hourly productivity has remained broadly stable at slightly above the average of the upper half of OECD countries.

Income inequality remains below the OECD average. The share of disposable income going to the poorest 20% of households is higher than on average in the OECD. Greenhouse gas emissions per capita and per unit of GDP are below the OECD average and continue declining. Fuel tourism accounts for roughly one third of transport-related GHG emissions.

Progress on Going for Growth priorities was limited in 2017-18. An expected major reform of the trade law yielded only modest changes. The extension of full-day childcare and schools stalled, halting progress towards better reconciliation of full-time work and childrearing responsibilities. Reductions of employer's contributions slightly lowered the labour tax wedge.

Reducing marginal tax rates, eliminating pathways to early retirement and expanding the supply of full-day early childhood institutions would contribute to moving further towards equal participation in the labour market. Enhancing competition in the service sector would strengthen productivity growth. Reducing the strong influence of socio-economic background on education outcomes would foster human capital development.

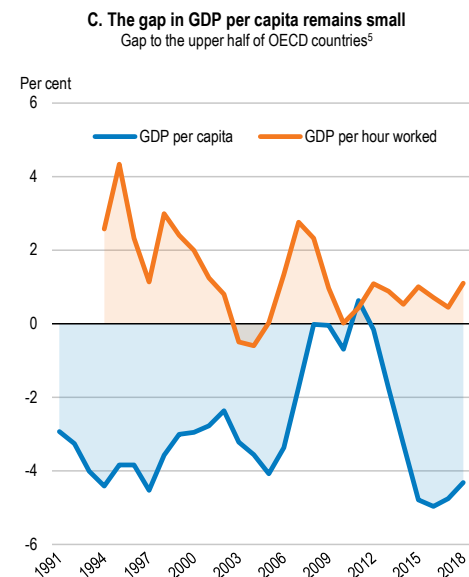
Growth performance, inequality and environment indicators: Austria

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.9 | 0.7 |
| Labour utilisation | 0.7 | 0.5 |
| of which: Labour force participation rate | 0.6 | 0.3 |
| Employment rate ¹ | 0.0 | 0.0 |
| Employment coefficient ² | 0.1 | 0.2 |
| Labour productivity | 1.0 | 0.4 |
| of which: Capital deepening | 0.3 | 0.1 |
| Total factor productivity | 0.7 | 0.3 |
| Dependency ratio | 0.2 | -0.2 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 28.4 (31.7)* | 0.2 (0)* |
| Share of national disposable income held by the poorest 20% | 8.2 (7.6)* | -0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 8.6 (10.9)* | 8.9 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.2 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.2 | 0.2 |

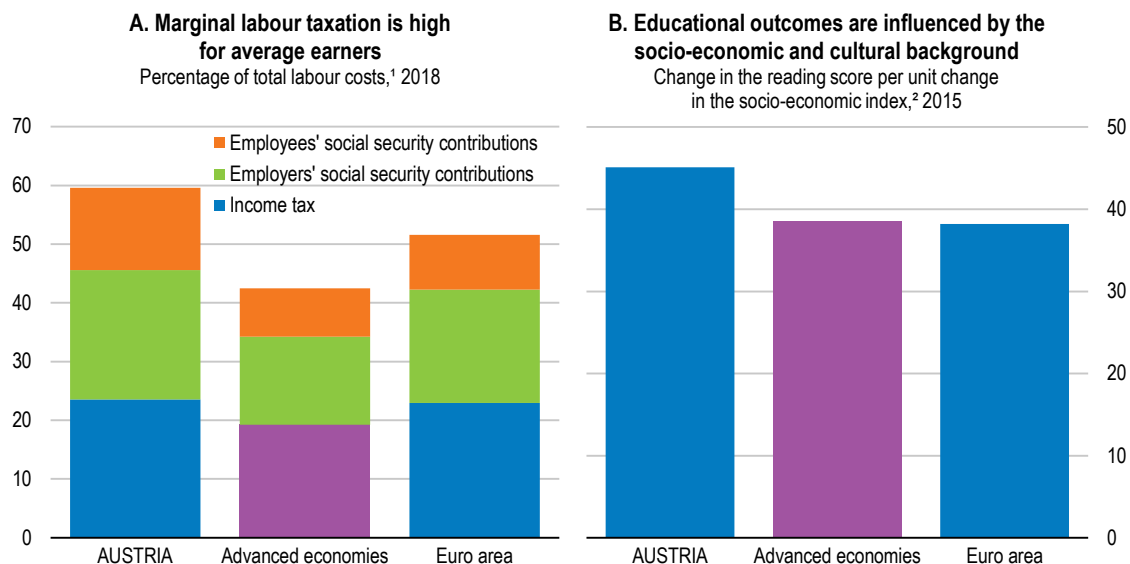
* OECD simple average (weighted average for emissions data)

Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.



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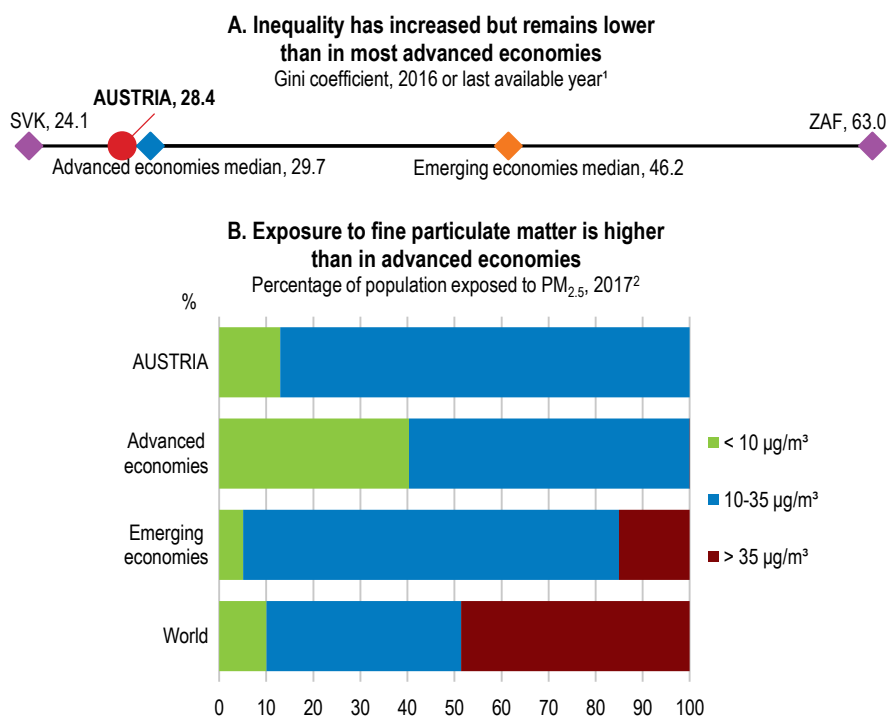
Policy indicators: Austria



Source: Panel A: OECD, Taxing Wages Database; Panel B: OECD, PISA Database.

StatLink  <https://doi.org/10.1787/888933955522>

Beyond GDP per capita: Austria



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink  <https://doi.org/10.1787/888933956396>

Austria: *Going for Growth 2019* priorities

Facilitate full-time labour force participation of both parents throughout the country. The reconciliation of full-time work and parental responsibilities is hindered by a lack of childcare infrastructure, in particular in remote areas, and adverse tax incentives.

- **Actions taken:** The “Education Investment Law”, adopted in 2017, will provide another EUR 750 million for the expansion of full-day schooling until 2033.
- **Recommendations:** Boost government investment in high-quality childcare facilities. Enhance the availability of full-day schools and care centres as envisaged. Consider introducing legal entitlements to these services. Reduce the implicit taxation of shifting from part-time to full-time employment to reduce barriers to female full-time work and replace the sole-earner tax deduction by targeted transfers to families in need.

Lower marginal tax rates on labour income. High effective marginal tax rates, especially at low income levels, undermine work incentives.

- **Actions taken:** Payroll taxes have been cut progressively in 2016-2018. Employers’ contribution to the Family Burdens Equalisation Fund was reduced by 0.4 percentage point in 2017 and by another 0.2 percentage point in 2018.
- **Recommendations:** Reduce the labour tax wedge further, notably by lowering employer and employee social security contributions. To ensure budget-neutrality, this could be financed by a broadening of the tax base and by increases in consumption, environmental and recurrent property taxes.

Reduce incentives to exit early from the labour force. The effective retirement age remains low, in particular for women, and subsidised avenues to early retirement still exist.

- **Actions taken:** No new action taken. The statutory retirement age for women born after January 1964 will be raised successively to 65 year in six-month steps per year over 2024 to 2033.
- **Recommendations:** Align the official retirement age for women to that for men. Eliminate all remaining subsidised avenues to early retirement. Tighten eligibility criteria for disability pensions for those born before 1964 and help partially disabled workers to better use their work capacity. Reflect changes in life expectancy more directly in the parameters of the pension system.

Reduce barriers to competition in professional services and retail trade. Restrictive regulations in many services hinder competition and productivity growth.

- **Actions taken:** An amendment to the competition law in 2017 strengthened the National Competition Authority’s powers of inspection. A new law, passed in September 2017, facilitates the entry to legal and accounting professions by reducing the length of the examination process. A 2017 amendment to the trade law reduces the number of partially regulated professions. Since May 2018, the new digital business license allows for more flexible and faster activation of authorisations to do business.
- **Recommendations:** Continue to ease entry to retail trade and liberal professions to allow for more competition, without reducing high quality standards and consumer protection.

Improve equity and outcomes in tertiary education. Increase tertiary graduation rates and make educational outcomes less dependent on socio-economic backgrounds to promote inclusive growth.

- **Actions taken:** The 2018 amendment to the University Act introduced the possibility of holding back 0.5% of a university's budget if measures to improve social cohesion are considered insufficient. Further, the amendment will ensure additional funding for Universities of Applied Sciences to increase their capacities for an additional of 2 300 new students across all fields by 2024. Degree programmes with higher shares of STEM related subjects will receive higher funding allocations.
- **Recommendations:** Allow universities to re-introduce general tuition fees in order to finance quality improvements in the provision of tertiary education. Accompany such fees by a comprehensive grant and income-contingent student loan system to avoid socio-economic segregation.

Belgium

Income per capita has been lagging that of the upper half of OECD countries and the gap has widened due to a decline in labour productivity growth. However, labour productivity levels remain amongst the highest in the OECD.

Income inequality is relatively low. Greenhouse gas emissions are around the OECD average, while exposure to air pollution is higher than the average in advanced economies.

Progress on past priorities has been modest. Taxation of labour is set to decline further, thanks to multiyear reforms decided in the past, but the tax wedge will remain relatively high. A reform of adult education has been adopted, and offers of training and validation of skills for newly arrived migrants have been introduced. Simplified procedures for retail establishment in Flanders and the Brussels Region entered into force from 2018.

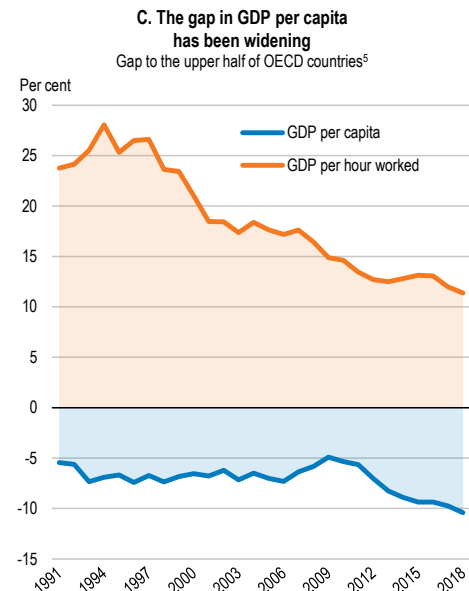
Easing administrative burdens and simplifying entry regulation in professional services, retail and network industries and streamlining the insolvency regime would boost competition and productivity growth. Further reducing the tax wedge on labour, particularly for the low-skilled, would encourage employment. Improving teacher training and attracting the best teachers to schools with high concentrations of disadvantaged students would raise skills and reduce inequality.

Growth performance, inequality and environment indicators: Belgium

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.6 | 0.8 |
| Labour utilisation | 0.6 | 0.3 |
| of which: Labour force participation rate | 0.5 | 0.0 |
| Employment rate ¹ | 0.1 | 0.3 |
| Employment coefficient ² | 0.0 | 0.0 |
| Labour productivity | 1.0 | 0.5 |
| of which: Capital deepening | 0.7 | 0.4 |
| Total factor productivity | 0.4 | 0.0 |
| Dependency ratio | -0.1 | 0.0 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 26.6 (31.7)* | 0 (0)* |
| Share of national disposable income held by the poorest 20% | 9 (7.6)* | 0 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 10.3 (10.9)* | 10.7 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.3 (0.3)* | 0.3 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.3 | 0.3 |

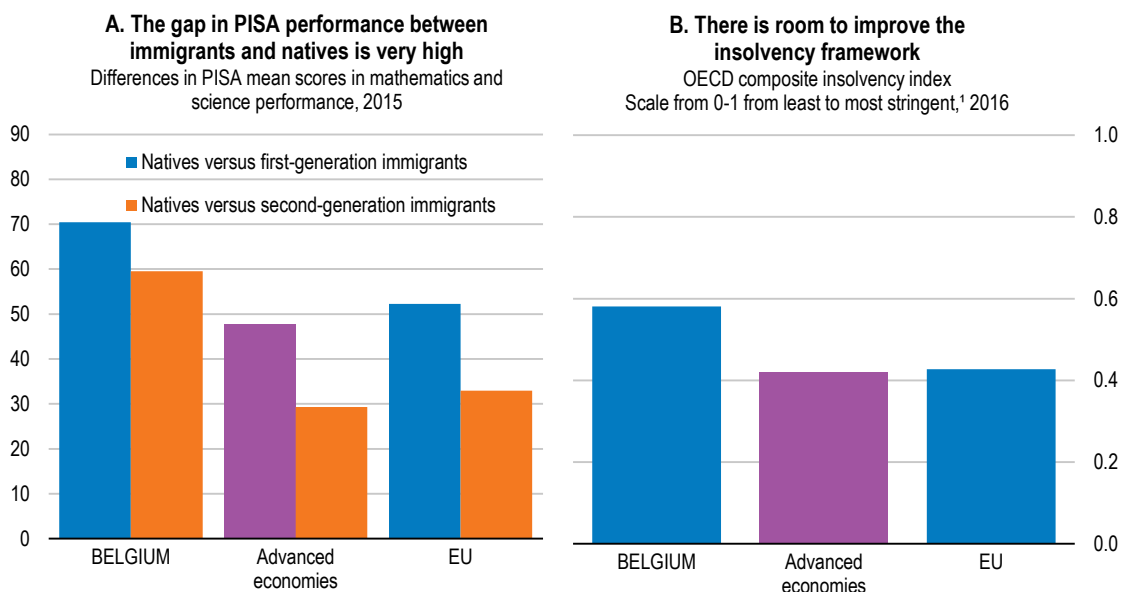
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink  <https://doi.org/10.1787/888933954667>

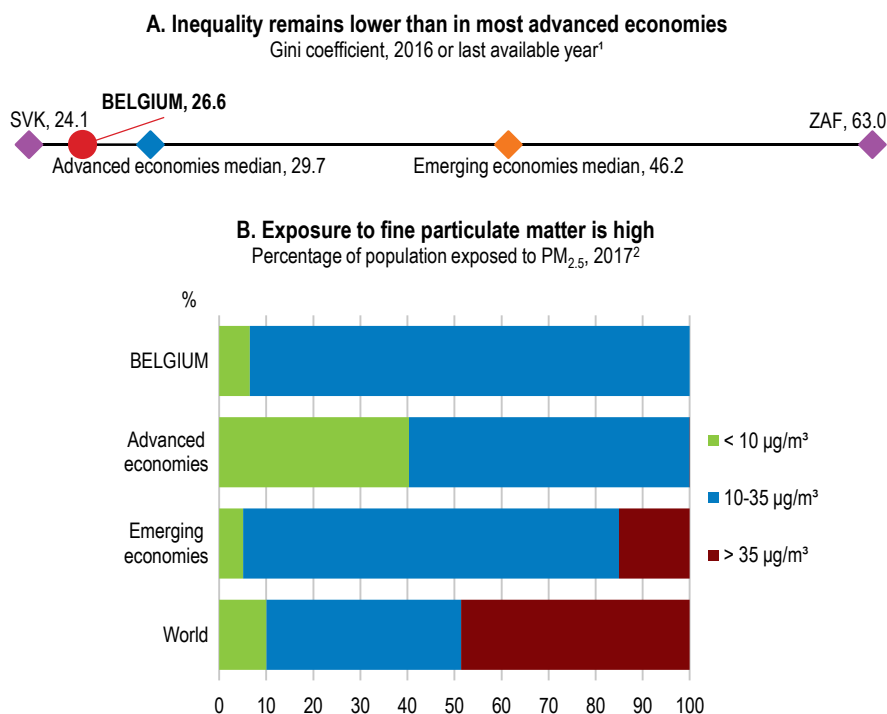
Policy indicators: Belgium



Source: Panel A: OECD, PISA 2015 Results (Volume I): Excellence and Equity in Education, Annex B1.7 (tables): Immigrant background, student performance and students' attitudes towards science; Panel B: Adalet-McGowan, A. and D. Andrews (2018), "Design of Insolvency Regimes across Countries", OECD Economics Department Working Papers, forthcoming.

StatLink  <https://doi.org/10.1787/888933955541>

Beyond GDP per capita: Belgium



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink  <https://doi.org/10.1787/888933956415>

Belgium: *Going for Growth 2019* priorities

Improve outcomes and equity in education. Educational outcomes of socio-economically disadvantaged individuals and first and second-generation immigrants are comparatively poor.

- **Actions taken:** The implementation of the Pact for Excellence in Teaching in the French Community continued in 2018 with the recruitment of additional teaching staff and the establishment of a six year plan covering pupil performance. In 2018, the Flemish Community adopted a reform modernising secondary education from which will be phased in from September 2019.
- **Recommendations:** Improve teacher training and incentives to attract teachers to schools with a high concentration of disadvantaged pupils. Strengthen school-level social diversity programmes and promote the participation of immigrants' children in early childhood education to reduce language handicaps. Assess systematically language proficiency in primary and secondary school and provide languages classes when needed.

Reform the wage bargaining system. Cost competitiveness is undermined by a wage setting system, which makes aligning wages with productivity difficult.

- **Actions taken:** No action taken.
- **Recommendations:** Assess the results of the 2017 reform of the wage formation system and consider additional reforms, for example, directly linking wages to productivity growth.

Increase product market competition and business dynamism. Business dynamism is low and excessive regulatory burden hampers competition and productivity growth.

- **Actions taken:** Simplified procedures for retail establishment in Flanders and the Brussels Region entered into force from 2018, with a monitoring system to assess its impact foreseen in Flanders. In 2018, the professional qualification requirements for craft professions were abolished for all 27 professions in Flanders and some in Wallonia, which is assessing the rest. In May 2018, the insolvency regime was reformed to expand the scope of the law to all businesses and introduce new preventative measures.
- **Recommendations:** Reduce regulatory barriers to entry and exit, including further reform of the insolvency regime. Strengthen competition in various professions, such as in accountancy, legal and architecture services by reducing barriers to entry and licencing requirements. Ease regulation of retail services, in particular the restrictions on large outlets, shop-opening hours and the protection of incumbents. Further simplify administrative procedures and licence requirements to start a business and establish a single regulator for each network industry.

Further reduce the tax wedge on labour and enhance financial work incentives. High taxes on labour discourage employment and reduce the labour supply of low wage earners.

- **Actions taken:** No action taken. Past reforms to lower taxes on labour, including those to reduce employers' social security contributions are still being phased in.
- **Recommendations:** Continue reducing labour taxes beyond the measures already phased in, especially for low-skilled workers, as the tax wedge on labour earnings remains one of the highest in Europe. Implement a more gradual phasing-out of the reduced tax wedge as wages increase to reduce the risk of a low-wage trap.

Improve the integration of migrants. Immigrants have poor employment outcomes and are overrepresented in low quality jobs.

- **Actions taken:** Plan Formation 2020 of the Brussels Region is currently being rolled out. It includes a social, professional and linguistic assessment of migrants as well as specific offers of training and validation for newly arrived migrants. Regions adopted or updated plans to combat work-related discrimination focussing on awareness raising, self-regulation, reinforced monitoring and discrimination in hiring.
- **Recommendations:** Further engage social partners in firm-level diversity plans, including in the public sector where the share of immigrant employees is low. Narrow the scope of statutory public sector jobs for which EU citizenship is required. Further develop validation programmes for skills and degrees acquired abroad. Expand language course programmes adapted to workplace needs, notably by combining them with other forms of training.

Brazil

The significant GDP per capita gap to the upper half of OECD countries has widened in recent years, mainly due to comparatively weak labour productivity performance and low employment rates.

Inequality remains high and progress in reducing it has slowed down. Greenhouse gas emissions are well below the OECD average in per capita terms.

Some progress has been made in reducing trade barriers, by limiting local content requirements in the oil and gas sector. An education reform has given schools more flexibility to adapt to students' needs. A new central agency has been tasked with prioritising and monitoring infrastructure projects and a reduction in subsidised lending will enhance the scope for private participation in infrastructure financing.

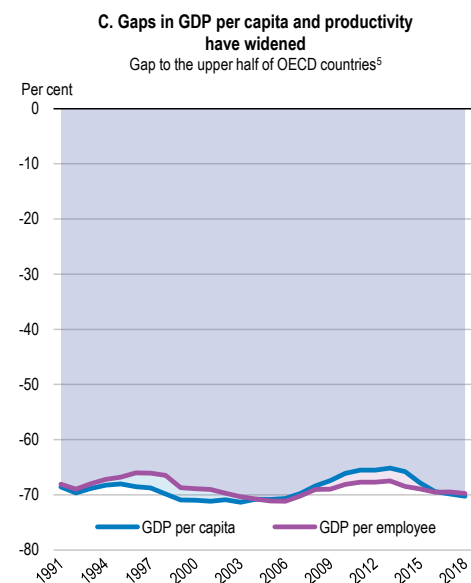
A more educated workforce, better infrastructure and less tax distortions would support productivity improvements. Lowering trade barriers remains a priority for Brazil to increase exposure to international competition and strengthen incentives for productivity improvements. To reconcile the need for further reductions in income inequality with diminishing fiscal space, social expenditure should focus more on the most efficient policy instruments, particularly conditional cash transfers, at the expense of less efficient instruments. This would accelerate the decline of income inequality without increasing spending.

Growth performance, inequality and environment indicators: Brazil

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 2.9 | -1.0 |
| Labour utilisation | 0.0 | -0.8 |
| of which: Labour force participation rate | -0.6 | 0.1 |
| Employment rate ¹ | 0.6 | -0.9 |
| Employment coefficient ² | 0.0 | 0.0 |
| Labour productivity | 2.3 | -0.7 |
| of which: Capital deepening | -0.5 | 0.2 |
| Total factor productivity | 2.8 | -0.8 |
| Dependency ratio | 0.6 | 0.4 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2017 | 2013-17 |
| Gini coefficient ³ | 53.3 (31.7)* | 0.1 (0)* |
| Share of national disposable income held by the poorest 20% | 3.2 (7.6)* | 0 (0)* |
| | Average of levels | |
| | 2015 | 2010-2012-2015 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 6 (12.3)* | 6.2 (12.8)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.4 (0.3)* | 0.4 (0.4)* |
| Share in global GHG emissions ⁴ (%) | 2.5 | 2.6 |

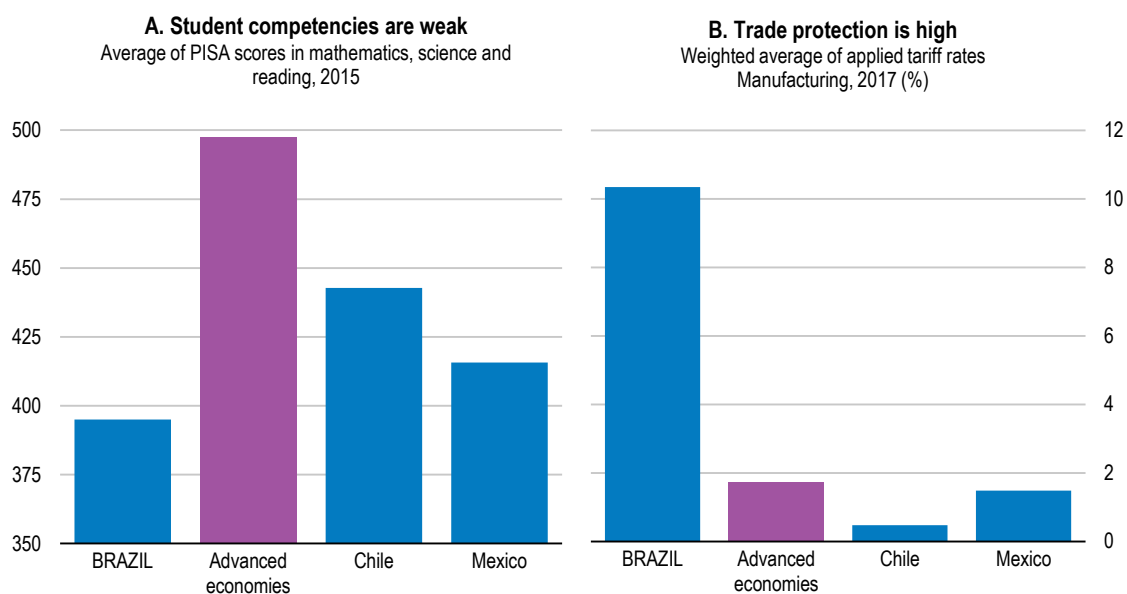
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases and World Bank, World Development Indicators (WDI) Database; International Energy Agency (IEA), Energy Database; Panel C: OECD, Economic Outlook and Productivity Databases.

StatLink  <https://doi.org/10.1787/888933954686>

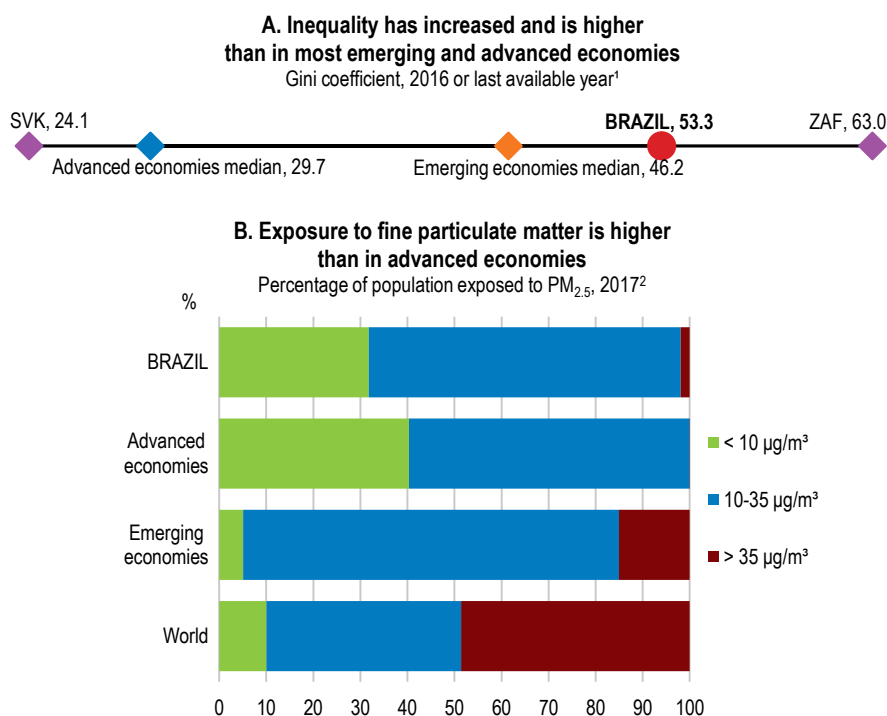
Policy indicators: Brazil



Source: Panel A: OECD, PISA Database; Panel B: World Bank, World Integrated Trade Solution Database.

StatLink <https://doi.org/10.1787/88893395560>

Beyond GDP per capita: Brazil



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956434>

Brazil: *Going for Growth 2019* priorities

Increase the effectiveness of social benefits. Shifting the focus of expenditures on social benefits could lead to faster reductions in income inequality.

- **Actions taken:** A pension reform was planned for 2017 but was not passed by Congress. Benefit levels in the conditional cash transfer programme Bolsa Família saw a minor real increase in 2018, after years without significant real increases.
- **Recommendations:** Redirect spending on social benefits towards conditional cash transfers to the poor, which is the most efficient instrument for reducing income inequality. Ensure the sustainability of the pension system through a wide-ranging pension reform. Sever the indexation of minimum pensions and social benefits to the minimum wage to avoid large real spending increases on benefits that reach households with above average incomes.

Enhance outcomes and equity in education. Improving education outcomes and equality of educational opportunities would accelerate productivity.

- **Actions taken:** A 2017 education reform has given schools more flexibility in adapting curricula to the needs of their students. Vocational training programmes for low-skilled workers and scholarships for tertiary education are being expanded continuously.
- **Recommendations:** Focus on improving the quality of education through better teacher pay, in-service training and stronger performance incentives. Ensure full-day schooling nationwide and build more schools where needed. Further expand tertiary vocational and professional training programmes to address skill shortages and reduce dropout rates.

Reduce barriers to trade. Trade barriers harm competitiveness by hampering access to imported intermediate and capital inputs and reduce competition.

- **Actions taken:** Local content requirements in the oil and gas sector have been eased in 2017.
- **Recommendations:** Reduce trade protection steadily by lowering tariffs and scaling back local content requirements, which remain high in international comparison.

Reduce distortions in the tax system. Less onerous and distortive indirect taxes would contribute to faster productivity gains by reducing tax compliance costs.

- **Actions taken:** No action taken.
- **Recommendations:** Consolidate indirect taxes at the state and federal levels and work towards one value added tax with a broad base, full refund for input VAT and zero-rating for exports.

Increase public and private investment in infrastructure. Addressing infrastructure gaps would lead to higher productivity growth and improve export competitiveness.

- **Actions taken:** A 2017 investment partnership law has created a central entity attached to the presidency tasked with selecting and prioritising projects, and monitoring their implementation. Less subsidised lending resulting from a financial market reform will enhance the scope for private participation in infrastructure financing.
- **Recommendations:** Improve the technical capacity and planning for infrastructure projects, including in local governments. Increase the independence of infrastructure regulators. Expand the range of financing models, including syndicated loans, structured financial instruments, project financing and infrastructure bonds. Make wider use of public-private partnerships and concessions, but in a transparent way, using standardised bidding documents and guidance manuals. Avoid local content requirements in infrastructure projects.

Canada

GDP per capita has remained between 5% and 10% below the upper half of the OECD countries over the past twenty five years. Labour utilisation is above average, but GDP per capita is dragged down by poor labour productivity.

Income inequality is around the OECD average and has changed little since 2000, with less-than-average redistribution through taxes and transfers. Greenhouse gas emissions are high per capita and per unit of GDP and have failed to decline over the past two decades.

A number of measures have been taken to enhance access to post-secondary education and its responsiveness to skills demand. Progress has also been made to improve the innovation framework through the federal government's Innovation and Skills Plan, increased funding for fundamental research and greater support for venture capital.

The Canada Free Trade Agreement has reduced barriers to internal trade. Enhancing product market competition through reducing restrictions on foreign entry and barriers to internal trade is key to raising productivity. Tax reform would further promote productivity and green growth. Further work with provinces to improve labour market information and the number and quality of apprenticeships would boost students' labour market outcomes and is of particular importance for disadvantaged groups. Improving labour market outcomes for women, notably by making childcare more accessible, would support inclusive growth.

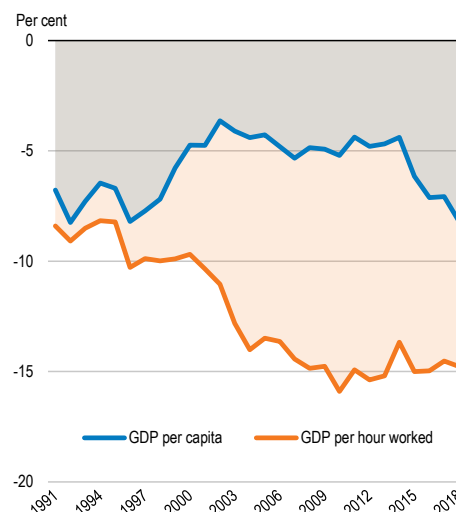
Growth performance, inequality and environment indicators: Canada

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.3 | 0.9 |
| Labour utilisation | 0.6 | 0.2 |
| of which: Labour force participation rate | 0.3 | -0.1 |
| Employment rate ¹ | 0.3 | 0.3 |
| Employment coefficient ² | 0.0 | 0.0 |
| Labour productivity | 0.5 | 0.8 |
| of which: Capital deepening | 0.4 | 0.4 |
| Total factor productivity | 0.1 | 0.5 |
| Dependency ratio | 0.2 | -0.1 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 30.7 (31.7)* | -0.4 (0)* |
| Share of national disposable income held by the poorest 20% | 7.6 (7.6)* | 0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 18.7 (10.9)* | 19.3 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.4 (0.3)* | 0.5 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 1.7 | 1.6 |

* OECD simple average (weighted average for emissions data)

C. The gap in labour productivity persists
Gap to the upper half of OECD countries⁵

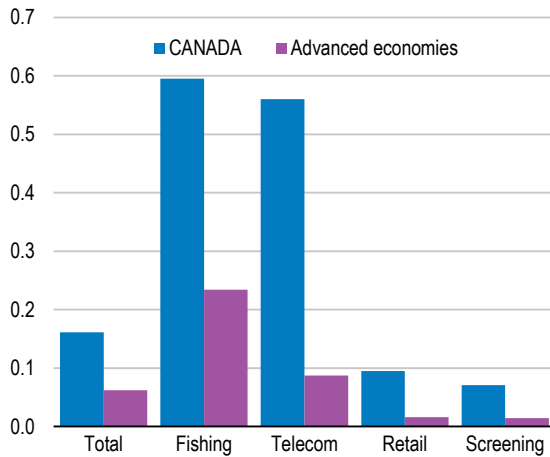


Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

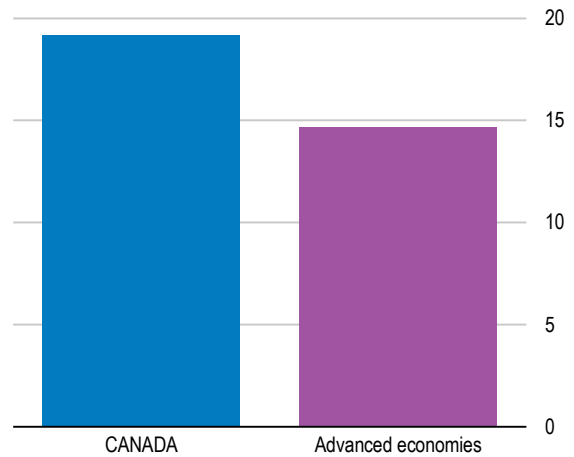
StatLink  <https://doi.org/10.1787/888933954705>

Policy indicators: Canada

A. Barriers to FDI are comparatively high
Index scale of 0-1 from least to most restrictive, 2018



B. The gender gap in earnings is high
Gap as a percentage of men's median earnings,¹ 2017

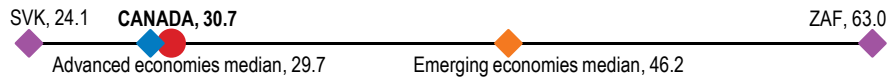


Source: Panel A: OECD, FDI Regulatory Restrictiveness Index Database; Panel B: OECD, Gender Database.

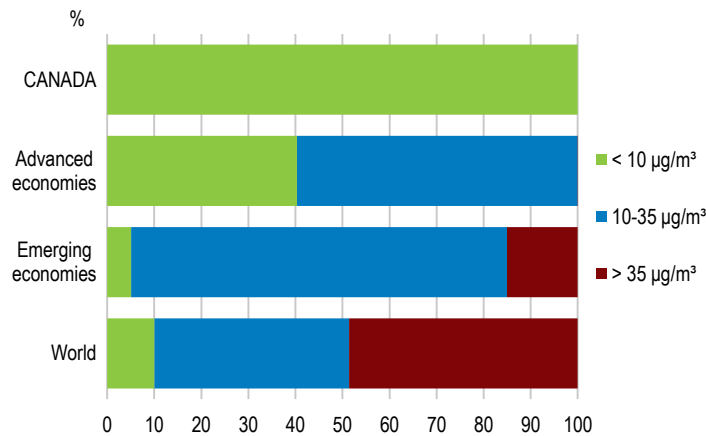
StatLink <https://doi.org/10.1787/888933955579>

Beyond GDP per capita: Canada

A. Inequality is just above the advanced economies' median
Gini coefficient, 2016 or last available year¹



B. Exposure to fine particulate matter is low
Percentage of population exposed to PM_{2.5}, 2017²



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956453>

Canada: *Going for Growth 2019* priorities

Reduce barriers to entry for both domestic and foreign suppliers, and enhance competition in network and service sectors. Regulatory barriers to competition in network and service sectors weaken pressures to innovate and adopt new technologies.

- **Actions taken:** No action taken.
- **Recommendations:** Reduce foreign ownership restrictions in telecoms and broadcasting, and, on a reciprocal basis, in air transportation. Move towards more integrated and competitive electricity markets. Privatised Canada Post and eliminate its legally protected monopoly. Ease entry regulations and reduce discrimination against foreign suppliers in professional services, air and road transport. Reduce licensing requirements in retail trade.

Reduce barriers to internal trade. Non-tariff interprovincial barriers lower efficiency, particularly by reducing the market size. Supply management regimes distort markets for dairy, poultry and eggs through production quotas, minimum prices and high import tariffs. This weakens relationships with trading partners and contributes to inequality by supporting producers at the expense of consumers.

- **Actions taken:** The Agreement on Internal Trade was replaced by the Canadian Free Trade Agreement (CFTA) in 2017, which automatically covers sectors unless exceptions are identified. Energy is covered for government procurement, while agriculture is not covered. A Regulatory Reconciliation and Cooperation Table was created, and maximum fines for non-compliance were increased.
- **Recommendations:** Make the sectoral coverage of the CFTA as broad as possible, notably by including energy fully. Eliminate agricultural supply management regimes. Reconcile remaining regulatory differences (possibly via mutual recognition) and expedite dispute resolution.

Enhance access to post-secondary education and its responsiveness to skills demand. Better access to education for disadvantaged groups and the acquisition of skills in demand would boost incomes and reduce inequalities.

- **Actions taken:** Federal government transfers to provinces to support employment and skills training programs were expanded by around 15% in 2017. The government has provided additional funding of just under CAD 90 million per year for the Youth Employment Strategy (part of which will support a doubling of jobs funded under the Canada Summer Jobs programme) and launched the Student Work-Integrated Learning Program. The Future Skills Centre and Council were launched in 2018 to identify emerging skills needs and innovative approaches to help Canadians gain the skills they need. Apprenticeship training requirements have been harmonised in 20 of the 30 Red Seal trades. The cross-jurisdictional Labour Market Information Council was created in April 2017 to identify and implement Canadian policy priorities for the collection, analysis and distribution of labour market information. Statistics Canada is developing a new longitudinal data set tracking labour market outcomes of post-secondary students.
- **Recommendations:** Work with provinces and territories to harmonise training and certification requirements for all apprenticeship programmes, thereby facilitating access to post-secondary qualifications for disadvantaged groups. Improve the accessibility and reputation of apprenticeship and vocational education systems through increasing funding certainty for pre-apprenticeship training and encouraging further development of pathways to advanced diplomas and degrees. Publish nationally consistent data on student labour market outcomes by post-secondary education institution and course.

***Increase labour market inclusion of women.** Increasing women's labour force participation and productivity and shrinking the large gender earnings gap would serve economic and inclusiveness goals.

- **Recommendations:** Further increase federal and provincial funding of childcare with a goal of making access to affordable, high-quality childcare available to all parents of children aged three and under. Extend kindergarten to all four year-old children. Support take-up of paid parental leave by fathers, as introduced in 2018, through information provision and, if necessary, increasing payment rates. Take further steps to address financial, mentorship and support-programme barriers to female entrepreneurship through a comprehensive national strategy for women's enterprises, underpinned by more gender-disaggregated data.

Reform the tax system. Reliance on taxes with high efficiency costs, low environmental taxes and the maintenance of unwarranted tax expenditures distort resource allocation, reducing productivity.

- **Actions taken:** The small business tax rate was reduced by half a percentage point from January 2018 and will be reduced by a further percentage point in 2019. Following completion of a tax expenditure review, the government announced measures in October 2017 – restrictions on taxable income splitting between household members (income sprinkling) and the allowable amount of passive investment income – to reduce misuse of the small business tax regime by high-income households.
- **Recommendations:** Review the tax system as a whole to ensure that it remains efficient, equitable and supports the competitiveness of the Canadian economy. Encourage green growth by increasing environmental taxes and reducing taxes with high efficiency costs, notably corporate and personal income tax rates. Eliminate tax expenditures, such as lower rates and enhanced R&D tax credits for small businesses, where they are not warranted either by clear market failures or by clear equity objectives.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Chile

The convergence in GDP per capita to the upper half of OECD countries has been among the most rapid in the OECD over the last decades. However, progress has stopped after 2013, reflecting weak employment growth and a decline in total factor productivity growth.

While still high, income inequality and poverty have declined substantially and are lower than in other countries of the region. Chile's reliance on natural resources as a source of growth has increased risk of water shortages, habitat loss, and soil and water contamination. Greenhouse gas emissions per capita are well below the OECD average, but CO₂ and energy intensity have been declining only very slowly over the past two decades.

Ongoing improvements in the education sector, reforms in the labour market, the implementation of the 2014-18 Productivity Agenda, and efforts to raise the efficiency of electricity markets, and the sustainability of the pension system have aimed at tackling the main Chilean growth challenges.

Strengthening skills, continued increase in the quality of education and reforms and providing training systems would benefit the unemployed and inactive and thereby enhance overall employment activity. Better childcare would facilitate the inclusion of women in the labour force. Reforming employment protection legislation would reduce the segmentation of the labour market. Further simplification of trade and regulatory procedures, reforms in the transport sector and innovation support would strengthen productivity.

Growth performance, inequality and environment indicators: Chile

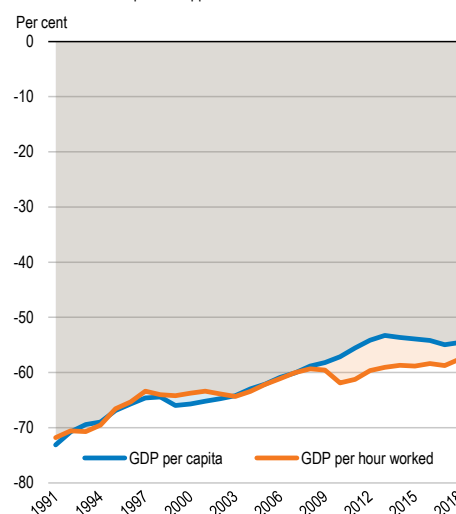
| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 4.2 | 1.4 |
| Labour utilisation | 1.3 | 0.3 |
| of which: Labour force participation rate | 1.0 | 0.3 |
| Employment rate ¹ | 0.4 | -0.1 |
| Employment coefficient ² | 0.0 | 0.0 |
| Labour productivity | 2.3 | 0.9 |
| of which: Capital deepening | 0.9 | 1.2 |
| Total factor productivity | 1.4 | -0.3 |
| Dependency ratio | 0.5 | 0.2 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2015 | 2013-15 |
| Gini coefficient ³ | 45.4 (31.7)* | -0.6 (0)* |
| Share of national disposable income held by the poorest 20% | 5.1 (7.6)* | 0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 3.8 (10.9)* | 3.8 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.2 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.2 | 0.2 |

* OECD simple average (weighted average for emissions data)

C. The gap in GDP per capita has stopped narrowing

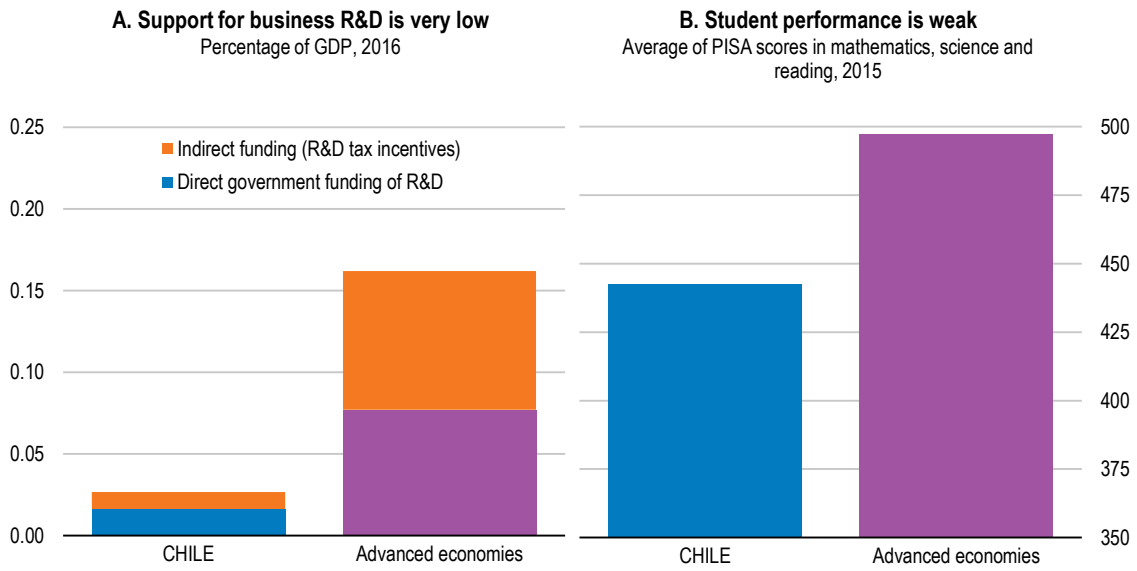
Gap to the upper half of OECD countries⁵



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases; Chile Instituto Nacional de Estadísticas.

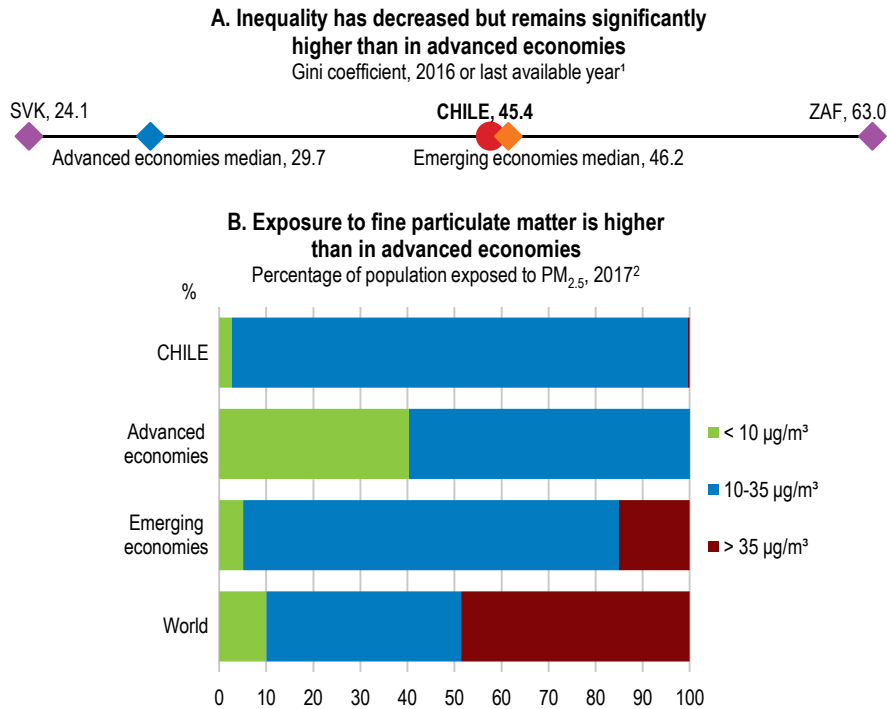
StatLink  <https://doi.org/10.1787/888933954724>

Policy indicators: Chile



Source: Panel A: OECD, Main Science and Technology Indicators and R&D Tax Incentives Databases; Panel B: OECD, PISA Database. StatLink <https://doi.org/10.1787/888933955598>

Beyond GDP per capita: Chile



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956472>

Chile: Going for Growth 2019 priorities

Improve quality and equity of the education system. Limited and unequal access to high-quality education lowers outcome, inhibits productivity and increases income inequality.

- **Actions taken:** In 2018 two laws related to Higher Education were approved, creating a National System for Quality Assurance of Higher Education (SINACES), the Superintendence and Undersecretary of Higher Education and strengthening the power of the National Council to develop a National Training Strategy of vocational technical education. The laws also address the institutional funding for public universities and establish free higher education for students that belong to the bottom 60% of the income distribution.
- **Recommendations:** Continue ongoing efforts to improve quality at all levels of education. Strengthen vocational education by updating curricula to better reflect job market needs and enhancing work-based learning through apprenticeships. Develop a national skill assessment and labour market needs exercise to reduce skill mismatches. The higher-education funding system needs to better balance access and quality.

Enhance competition and ease regulatory procedures. Strengthening product market competition and facilitating regulatory procedures and licenses for businesses would boost productivity.

- **Actions taken:** A 2018 project aims at simplifying procedures and licenses. Measures included are enabling municipalities to hand over a provisional patent for two years for all those firms that comply with the requirements established by law, creating an office for big projects, reducing the time and number of procedures related to water permits and creating a one-stop shop for licensing from different sectors. In August 2018, the “Open” office to reducing bureaucracy and the “GPS” office (for large sustainable projects) to guide and help big investment projects to obtain licenses and permits, were opened.
- **Recommendations:** Systematically review competitive pressures in key sectors, such as telecommunications and maritime services, by conducting market studies and applying the guidelines of the OECD’s Competition Assessment Toolkit. Ensure that public entities have to comply with the Competition Agency recommendations or to publicly explain their decisions. Streamline permits and their processing to encourage investment. Simplify regulations that depend on firm size, such as mandatory childcare provision, to limit their impact on firm growth.

Ease employment protection legislation and enhance active labour market policies. Lowering severance pay for regular workers can reduce labour market segmentation, while improving training programmes could foster access to high-quality jobs.

- **Actions taken:** Firms are now allowed to use the tax credit for on-the-job training (*Impulsa Personas*) to finance evaluation and certification of competencies, levelling programmes for basic and adult education and conducting a study on training needs within their sector.
- **Recommendations:** Reduce dismissal costs for permanent contracts and increase coverage of unemployment benefits by reducing the minimum contribution periods. Better target firm-provided training programmes to the most vulnerable workers. Continuously evaluate active labour market policies, public and firm-provided training, to focus funding on those that are performing well.

Strengthen support to R&D and innovation. Low investment in innovation and R&D hinder productivity and are associated with a persistent dependence of exports on mostly natural resources.

- **Actions taken:** Chile has developed significant efforts through its development agency, CORFO, to target promising sectors, in particular through direct R&D support. Moreover, the creation of the Ministry of Science, Technology, Knowledge and Innovation in 2018 seeks to raise the profile of science in Chile and increase the government’s funding for research and innovation.

- **Recommendations:** Strengthen policy evaluation by beefing-up data collection, systematic reviews and independent studies. Expand R&D support programmes that are proven to work, and close down or adjust inefficient ones.

Strengthen policies to foster female labour force participation. Encouraging more women to join the labour market can increase employment, contributing to growth.

- **Actions taken:** The reform of the early childhood education and care system is being implemented by creating new institutions in charge of monitoring, updating curricula and setting quality standards. Childcare centres (for children aged 0-5) are being built and more than 38 000 new places were created in 2017.
- **Recommendations:** Further increase affordable good-quality childcare for the poorest children and in rural areas, and expand opening hours for childcare institutions. Eliminate the requirement for firms to finance childcare once they employ 20 female workers or more. Foster women's and girls' equal access to academic fields which are usually dominated by men by providing information on labour market outcomes. Raise awareness among young men and women, parents, teachers and employers about gender-stereotypical attitudes towards academic performances.

China

GDP per capita continued to catch up rapidly with that of the upper half of OECD. The New Era, where more emphasis will be put on the quality instead of the pace of growth, will likely reduce the speed of catch up. The income gap with more advanced countries reflects lower labour productivity as labour participation rates are higher than in OECD countries.

Income inequality, measured by the Gini coefficient for disposable income, is well above the OECD average. Moreover, the trend decline in inequality halted recently. Widespread air pollution is a pertinent problem with a large share of population exposed to high particulate matter concentrations.

Progress is apparent in all key priority areas identified in Going for Growth 2017. A wave of administrative simplification is sweeping across the country, though progress varies widely across provinces and municipalities.

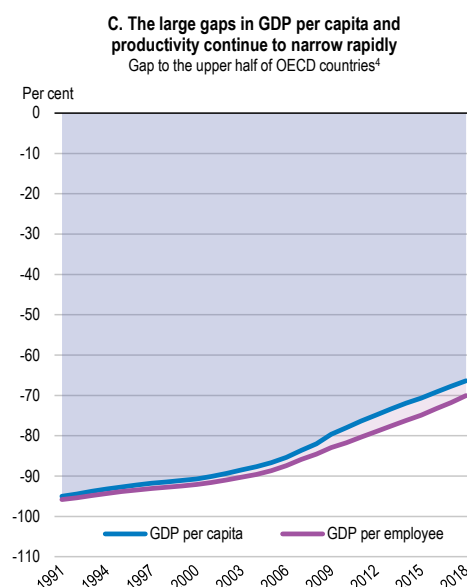
To enhance overall efficiency through a better allocation of resources, the rule of law should be strengthened and a level playing field ensured. A better match between skills and labour market needs would support catching up in productivity. Gradually phasing out implicit guarantees for state-owned enterprises (SOEs) and other public entities would lead to better market selection, and hence lead financial markets to better price risks. Less room for discretionary decisions involving public money and a more redistributive tax-and-transfer system would make growth more inclusive.

Growth performance, inequality and environment indicators: China

| A. Growth | | |
|---------------------------------|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 10.7 | 6.5 |
| Labour utilisation ¹ | 0.0 | -0.3 |
| Labour productivity | 10.8 | 6.8 |

| B. Inequality and environment | | |
|---|----------------------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2017 | 2013-17 |
| Gini coefficient ² | 46.7 (31.7)* | -0.1 (0)* |
| | Average of levels 2010-2012-2015 | |
| GHG emissions per capita ³ (tonnes of CO ₂ equivalent) | 9.5 (12.3)* | 9 (12.8)* |
| GHG emissions per unit of GDP ³ (kg of CO ₂ equivalent per USD) | 0.7 (0.3)* | 0.8 (0.4)* |
| Share in global GHG emissions ³ (%) | 26.5 | 25.5 |

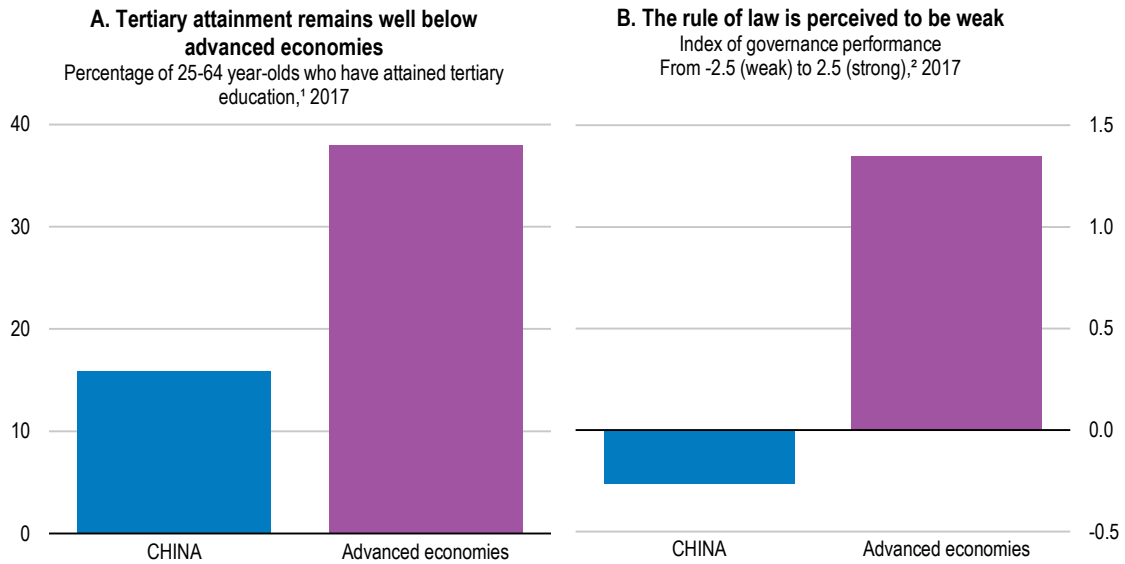
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook and Productivity Databases; Panel B: China National Bureau of Statistics; OECD, Income Distribution and National Accounts Databases; International Energy Agency (IEA), Energy Database; Panel C: OECD, Economic Outlook, National Accounts and Productivity Databases.

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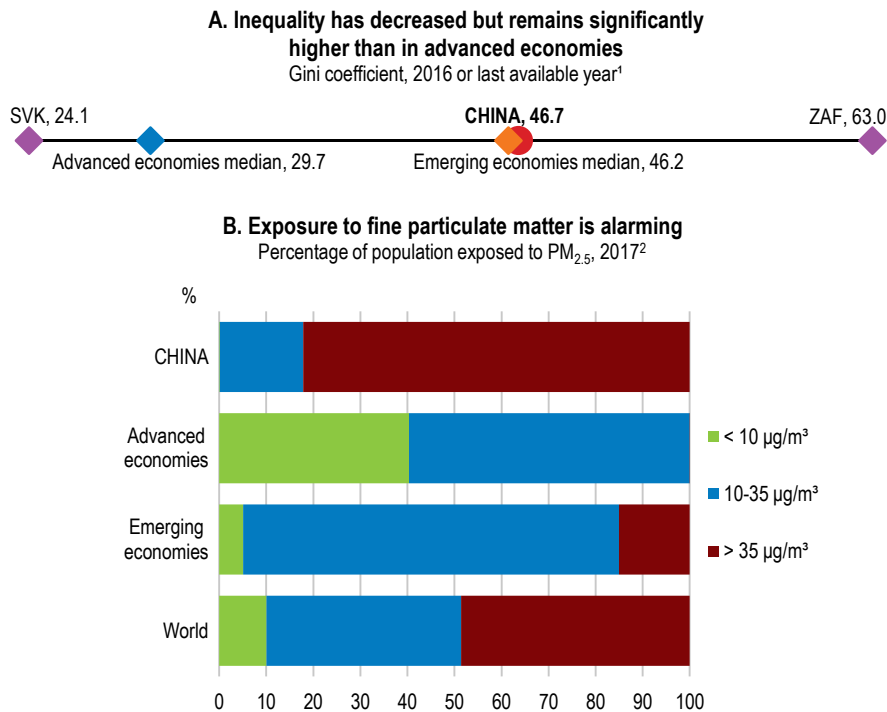
Policy indicators: China



Source: Panel A: OECD, Education at a Glance Database; China Labour Statistical Yearbook 2017, China population and employment statistics yearbook 2017 and CEIC; Panel B: World Bank, Worldwide Governance Indicator.

StatLink <https://doi.org/10.1787/88893395617>

Beyond GDP per capita: China



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956491>

China: Going for Growth 2019 priorities

Ensure a better match between skills available and those demanded in the market. Tertiary graduation rates have increased in recent years but the share of graduates in the labour force is still low compared to OECD countries. Moreover, many graduates do not appear to have the skills required by the labour market. Accessibility to academic higher education depends on household registration (hukou) status, weakening the degree of meritocracy of the higher education system.

- **Actions taken:** In 2018 the State Council issued the implementation details of a lifelong VET system for groups such as the unemployed, university graduates and rural workers. In 2017, colleges introduced 2311 new undergraduate majors across the country, such as big data technics, robotics engineering and data science. Foreign capital participation has been made easier in vocational schools since 2018. Integration and cooperation of vocational schools and colleges with industry is being enhanced, for example, by adjusting curricula. Guidelines published in 2017 set the same building standards for urban and rural schools and aim to improve the supervision of private schools.
- **Recommendations:** Review the criteria for establishing the number of students that can be admitted to existing programmes. Make vocational education more attractive by improving teachers' qualifications and the reputation of such programmes. Streamline licensing procedures for all qualifications and ensure country-wide minimum standards. Enhance accessibility to universities, including top-ranking ones, for students coming from regions with fewer higher education institutions.

Strike a better balance between liberalisation and regulation in financial markets. Financial liberalisation brought to life a number of market players that are not subject to the same extent of regulation as traditional financial market participants.

- **Actions taken:** Steps to open up the financial sector taken in 2018 include allowing majority foreign ownership in the sector. Banking and insurance regulators have been merged and the central bank was equipped with additional powers as the lead financial regulator. Regulation was tightened on high-leverage and risky asset management products. Steps have been taken to lower financing costs for SMEs. The State Council published guidelines for improved statistics of the financial sector. Restrictions were put into place limiting illegal and unauthorised financing of subnational governments.
- **Recommendations:** Remove implicit state guarantees to public entities to enhance risk pricing by financial markets. Enhance financial literacy through financial education from an early age. Increase disclosure and transparency of all company accounts.

Reduce barriers to labour mobility and strengthen social security and public service provision. The registration system preserves an urban-rural divide, curtailing labour mobility and leading to persistent income inequalities. Social security coverage and the quality of public services differ significantly between urban and rural areas.

- **Actions taken:** Portability of health insurance is being made easier, with the number of medical facilities accepting direct payment exponentially increasing in 2018. Equalisation of public services across regions (i.e. urban-rural) is manifested in concrete measures: new documents have been released, defining the areas of public services to be covered and specifying financing responsibilities across government levels.
- **Recommendations:** Ensure more equal public service provision for all, regardless of registration status, to avoid overcrowding in the largest cities. Allow private practice in public clinics after working hours by charging rental fees to reduce queuing and arbitrage opportunities for black-market sales of hospital registration numbers.

Enhance the rule of law. Non-compliance with laws and regulations is widespread and a lack of transparency in many aspects of business provides room for discretionary decisions.

- **Actions taken:** Supervisory commissions at the provincial, city and county levels have been established countrywide starting in early 2018, taking the anti-graft campaign to a new level. Black lists of violators have been published and depending on the degree of offence, listed individuals are banned from various activities. Since July 2017 public interest litigation has become possible.
- **Recommendations:** Strengthen the protection of whistle-blowers to make officials less willing or less able to indulge in corruption.

***Address pollution. Pollution of air, water and land take a heavy toll on the population.** Air pollution alone claims an estimated one million lives a year and the CO₂ intensity of the economy is higher than in OECD countries.

- **Recommendations:** Increase further environmental targets, strengthen enforcement and raise fines for violators to deterring levels. Address the major sources of pollution: continue switching from coal-fired to gas-fired power generation, reduce fertiliser use in agriculture and boost the extent of treatment required before releasing wastewater. Raising energy-related taxes and including coal in the tax base would not only reduce pollution but also strengthen climate change mitigation action.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Colombia

The income per capita gap relative to the upper half of OECD countries has marginally decreased, but remains large as a result of low productivity.

Income inequality has declined in recent years, although it remains high. Emissions per capita are low in comparison with the OECD average.

Progress has been made in improving road infrastructure through an ambitious agenda of public-private partnership programmes. Governance of R&D projects at sub-national level has been recently improved by giving a more central role to research centres in planning and executing projects. As part of the peace process, targeted education programmes in rural areas have been launched.

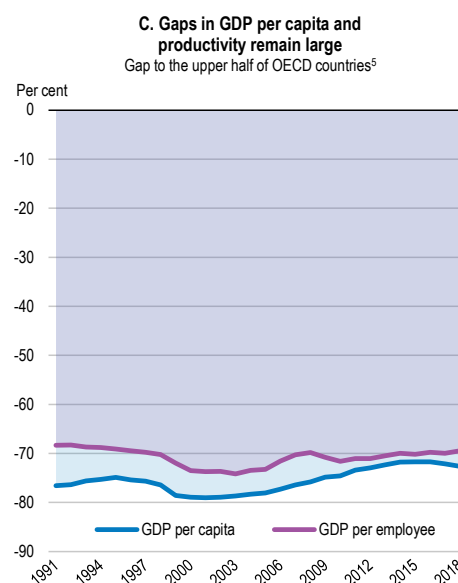
Broadening access to quality education is essential for boosting productivity and reducing large income inequalities. A comprehensive strategy to fight informality, which has fallen but remains very high, is required to boost productivity and inclusiveness. Reducing barriers to trade will contribute to higher growth, less reliance on non-renewable natural resources and more and better jobs. Reducing disparities across regions, a new priority in 2019, is essential to improve living standards of all Colombians. This will require boosting the performance of rural areas.

Growth performance, inequality and environment indicators: Colombia

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 3.9 | 1.6 |
| Labour utilisation | -0.3 | -0.5 |
| of which: Labour force participation rate | -1.2 | -0.5 |
| Employment rate ¹ | 0.8 | 0.0 |
| Employment coefficient ² | 0.0 | 0.0 |
| Labour productivity | 3.5 | 1.7 |
| of which: Capital deepening | 0.8 | 1.5 |
| Total factor productivity | 2.7 | 0.2 |
| Dependency ratio | 0.7 | 0.5 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2017 | 2013-17 |
| Gini coefficient ³ | 49.7 (31.7)* | -0.8 (0)* |
| Share of national disposable income held by the poorest 20% | 4.1 (7.6)* | 0.2 (0)* |
| | Average of levels | |
| | 2015 | 2010-2012-2015 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 3.5 (12.3)* | 3.5 (12.8)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.3 (0.3)* | 0.3 (0.4)* |
| Share in global GHG emissions ⁴ (%) | 0.3 | 0.3 |

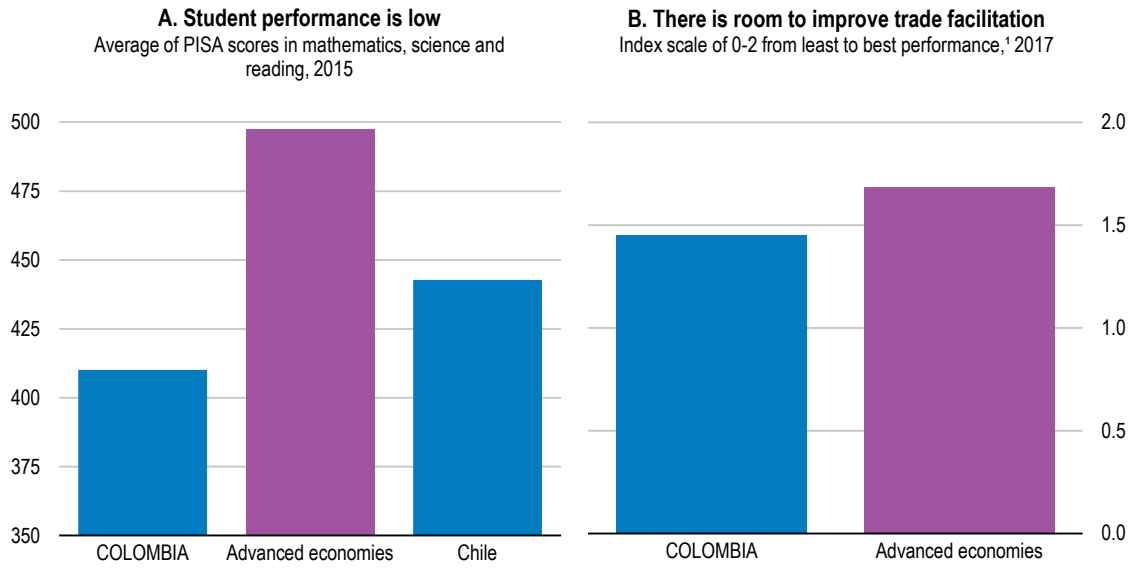
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases and World Bank, World Development Indicators (WDI) Database; International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases

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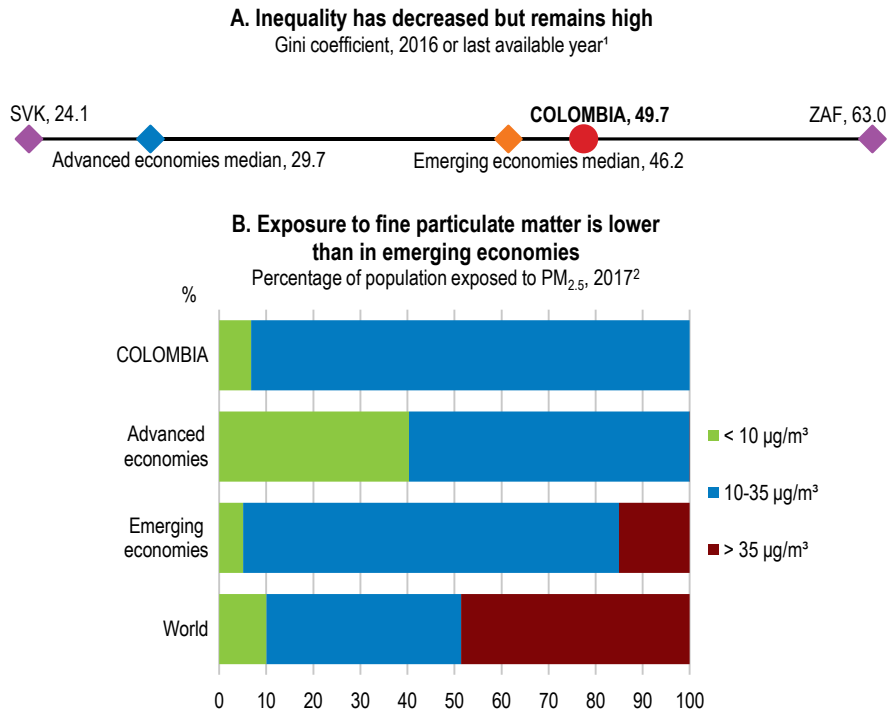
Policy indicators: Colombia



Source: Panel A: OECD, PISA Database; Panel B: OECD, Trade Facilitation Indicators Database.

StatLink <https://doi.org/10.1787/88893395636>

Beyond GDP per capita: Colombia



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956510>

Colombia: *Going for Growth 2019* priorities

Improve outcomes and equity in education. Limited access to high-quality education increases income inequality and inhibits productivity.

- **Actions taken:** As part of the peace process special education programmes targeted at rural areas were started in 2018.
- **Recommendations:** Strengthen access to early childhood education and its quality. Limit grade repetition and provide additional support to disadvantaged students. Improve governance in vocational education and adjust curricula and funding according to labour market needs. Increase employers' involvement in the delivery of vocational education.

Reduce barriers to trade, including infrastructure gaps. The economy remains relatively closed to trade, despite the numerous trade agreements signed. High tariff dispersion, an increasing number of non-tariff barriers, infrastructure gaps and long customs procedures, constrain trade and productivity.

- **Actions taken:** Further progress in the Fourth Generation (4G) public-private partnership programme was made in 2017 and 2018.
- **Recommendations:** Reduce dispersion in tariffs. Evaluate non-tariff barriers and eliminate those found to be distortive. Continue to improve transport infrastructure, particularly primary roads. Improve long-term planning of intermodal transportation and the use of cost-benefit analysis. Streamline customs processes.

Reduce barriers to formality. High non-wage labour costs and minimum wage in combination with complex and costly systems to register firms and declare formal workers promote informality, contributing to high levels of inequality and low productivity.

- **Actions taken:** No action taken.
- **Recommendations:** Continue to reduce non-wage costs by phasing out contributions related to *Cajas de Compensación*. Differentiate minimum wages for regions to account for differences in productivity. Establish one-stop shops to start-up companies. Reduce the monetary cost to register a company.

***Reduce regional disparities.** Economic performance and living conditions are very uneven across regions. Poor physical and social infrastructure and weak local governance and service delivery hamper productivity and inclusiveness, particularly in rural areas. The end of the 50-year armed conflict creates an historic opportunity to tackle striking differences in living conditions.

- **Recommendations:** Improve rural infrastructure, particularly secondary and tertiary roads. Complete and update the property cadastre to improve revenues of local governments and land use. Shift the emphasis of agriculture policies away from providing subsidies to producers and focus them more on providing public goods or physical and social infrastructure.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Improve R&D support and its efficiency. Colombian firms invest little in innovation, which hampers productivity. Most companies that make use of tax credits are large and in traditional sectors, such as oil.

- **Actions taken:** To avoid excessive fragmentation in R&D projects run by regional and local governments, as of 2018, funding will be allocated directly to research centres. An expenditure review of government interventions in this area has been undertaken in 2018.
- **Recommendations:** Strengthen collaboration between research centres and companies. Promote more the use of R&D tax credits by SMEs and by new firms. Improve the follow-up of firms receiving support to inform the design of new programmes.

Costa Rica

Productivity growth is driving convergence towards OECD countries. However, GDP per capita and labour productivity are still only around 30% of those of the upper half of OECD countries.

Income inequality is high relative to OECD countries. Absolute poverty is low by Latin American standards, but almost no improvement has been made since 2010. Costa Rica has established a green trademark and an eco-tourism industry by protecting its abundant biodiversity and developing renewable energy sources. However, environmental pressures from urbanisation are growing.

Costa Rica has accelerated its structural reform momentum recently. Concrete actions taken are the overhaul of labour laws, that came into force in July 2017, the roll-out of a modernised school curriculum, in 2018, modifications to social security contributions aimed at reducing informal employment, a slight reduction in the number of minimum wage categories, and further alignment of corporate governance of state-owned enterprises with OECD guidelines.

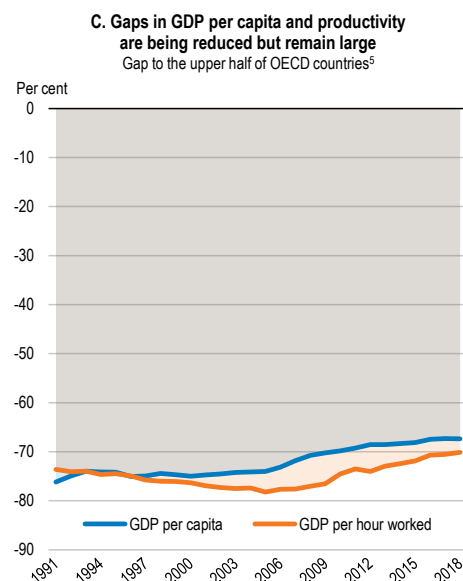
Further strengthening competition and reducing non-tariff barriers to trade, improving educational outcomes and tackling the high rate of informal employment remain priorities for boosting inclusive growth.

Growth performance, inequality and environment indicators: Costa Rica

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 3.9 | 2.0 |
| Labour utilisation | 0.9 | -0.5 |
| of which: Labour force participation rate | 0.6 | -0.5 |
| Employment rate ¹ | 0.3 | 0.0 |
| Employment coefficient ² | 0.0 | 0.0 |
| Labour productivity | 2.1 | 2.2 |
| of which: Capital deepening | 0.5 | 0.9 |
| Total factor productivity | 1.7 | 1.3 |
| Dependency ratio | 0.8 | 0.4 |

| B. Inequality and environment | | |
|---|-------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2017 | 2013-17 |
| Gini coefficient ³ | 48 (31.7)* | -0.3 (0)* |
| Share of national disposable income held by the poorest 20% | 4.1 (7.6)* | 0.1 (0)* |
| | 2015 | Average of levels 2010-2012-2015 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 2.6 (12.3)* | 2.7 (12.8)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.2 (0.4)* |
| Share in global GHG emissions ⁴ (%) | 0.0 | 0.0 |

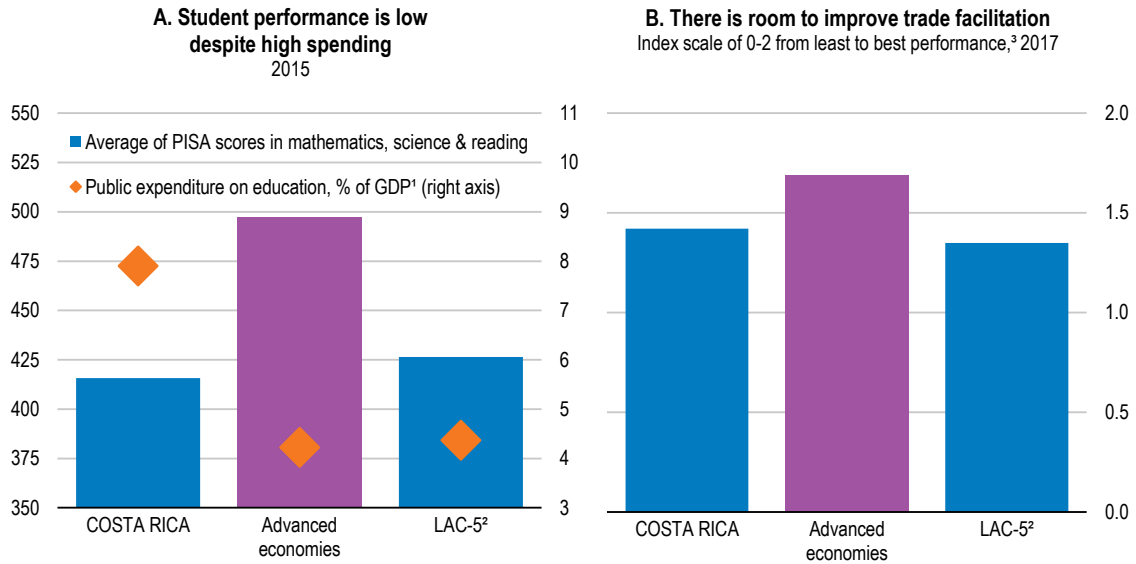
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

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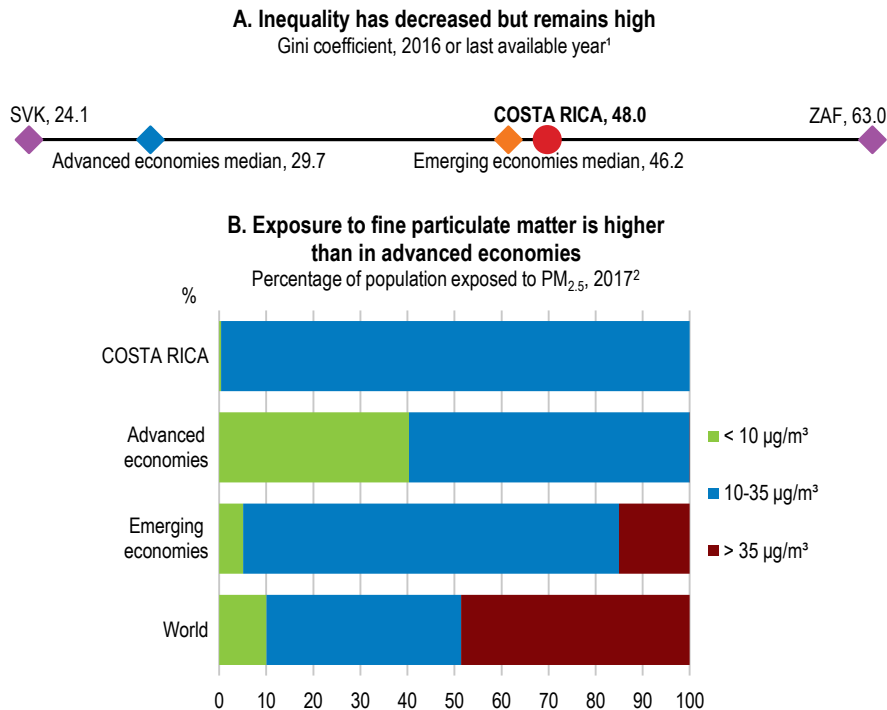
Policy indicators: Costa Rica



Source: Panel A: OECD, PISA and Education Databases; OECD (2018), OECD Economic Surveys: Costa Rica 2018; Panel B: OECD, Trade Facilitation Indicators Database.

StatLink <https://doi.org/10.1787/888933956555>

Beyond GDP per capita: Costa Rica



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956529>

Costa Rica: *Going for Growth 2019* priorities

Strengthen competition. Product market regulations are stringent and there are extensive anti-trust exemptions. State control in many sectors is high and barriers to entrepreneurship are large.

- **Actions taken:** A priority bill to create a new competition authority with greater independence and resources was presented to Congress in April 2017, but no legislation has been adopted. A state-owned enterprises (SOE) Action Plan to increase adherence to OECD Guidelines on the Corporate Governance of State-Owned Enterprises was launched in 2017. Reviews of twenty-five sectors exempt from competition law are due to be completed by 2020.
- **Recommendations:** Adopt and implement the bill reinforcing the powers, independence and funding of the competition authority. Continue the implementation of the SOE Action Plan. Continue with the twenty-five sector studies evaluating exemptions from competition and eliminate unjustified anti-trust exemptions. Eliminate regulatory asymmetries between state-owned and private banks and introduce a deposit insurance scheme for all banks. Establish one-stop shops for business registration and licensing.

Enhance the quality and efficiency of the education system. Education spending is high, but outcomes are poor and strongly influenced by socio-economic background.

- **Actions taken:** The roll-out of a modernised school curriculum in 2018. A small-scale dual education pilot programme in the automotive sector started in 2017. In November 2018, a National Qualifications Framework for Vocational Education and Technical Training was established. This aims to clarify the content of technical education courses, to ensure consistency between the education received and the qualification granted, and to provide clearer information to employers to improve recruitment and skills matching.
- **Recommendations:** Establish better educational outcomes as the main policy target, instead of a focus on spending, and develop performance indicators. Rebalance education spending towards early childhood and secondary education. Expand publicly-funded early childhood education and care. Strengthen targeted support for at-risk students and improve teacher selection and training. Further develop vocational education in close consultation with employers.

Reduce barriers to formal employment. The share of informal employment is high by OECD standards. Contrary to other Latin American countries, it has not been decreasing.

- **Actions taken:** A National Strategy to Transition to a Formal Economy was launched in February 2018, with the goal of reducing informal employment to 33% by 2025. In July 2017, the minimum base social security contribution rate for domestic service workers was reduced. A pilot reduction in social security contribution rates for coffee pickers is taking place in 2018. The Labour Procedural Reform Law came into force in July 2017 and includes measures to encourage individuals to report labour regulation breaches. In January 2018, the number of minimum wage rates was reduced from 25 to 23.
- **Recommendations:** Implement the National Strategy to Transition to a Formal Economy and its associated action plans. Strengthen the enforcement of labour regulations by granting inspectors the right to impose sanctions directly and ensuring that sanctions are large enough to act as a deterrent. Continue moving to a smaller number of minimum wages.

Address transport infrastructure gaps. Transport infrastructure is deficient due to a complex institutional setting and inadequate co-ordination among agencies, leading to low and ineffective spending. Costa Rica has relatively little experience with PPPs and the few projects that have taken place have suffered from long delays. Electricity tariffs are high.

- **Actions taken:** No action taken.
- **Recommendations:** Improve co-ordination among the different public-works bodies by clarifying mandates and granting overall control to a single lead agency. Prioritise projects on the basis of cost-benefit analysis. Monitor the implementation of the new PPP regulatory and institutional arrangements introduced in 2016. Clarify the role of the new PPP framework in relation to the existing concessions legislation. Clarify the mandates of the National Concessions Council and the new PPP unit and introduce mechanisms to align and coordinate the work of the two entities. Move from cost-based tariffs for regulated services (energy, transport and water) to methodologies that encourage productivity improvements (such as price- and revenue-cap regulation) to curtail tariff increases.

***Promote domestic firms' participation in global-value chains.** Innovation and technology use is concentrated in free-trade zones. Integration of local firms into the supply chains of multinationals is limited.

- **Recommendations:** Continue efforts to improve trade facilitation, including by simplifying and harmonising documents, automating and streamlining border procedures, and improving co-ordination of the relevant national agencies. Create a one-stop shop for government business assistance services.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Czech Republic

The income gap vis-à-vis the upper half of OECD countries declined to about 30%, owing to a rise in labour utilisation. However, convergence in labour productivity has slowed, reflecting skills mismatch and low capital investment after the 2008 crisis.

Income inequality has decreased slightly over the last years and is relatively low. The population is exposed to significant levels of air pollution, as the country is among the most energy- and carbon-intensive economies in the OECD.

Policies to expand access to childcare, increase employers' role in vocational education and promote greater research collaboration between businesses and research institutions have addressed some of the Going for Growth 2017 priorities. The priority of enhancing equity in education has been refocused on improving the vocational education system as skill mismatch poses an increasing problem for economic growth. The priority to enhance competition in the domestic economy has been dropped as noticeable progresses were made since August 2017 to guarantee the independence of network industries regulators and to improve their cooperation with the competition authority.

The population is ageing rapidly, weighing on public finances and calling for a sustainable pension system. Reducing skill mismatch and addressing labour shortages is needed to ensure economic growth. Greater engagement of firms in the design of vocational education curricula and in developing internships can play a crucial role in overcoming skill mismatch. Providing more flexible work arrangements supports the inclusion of vulnerable groups in the labour market and can increase gender equity.

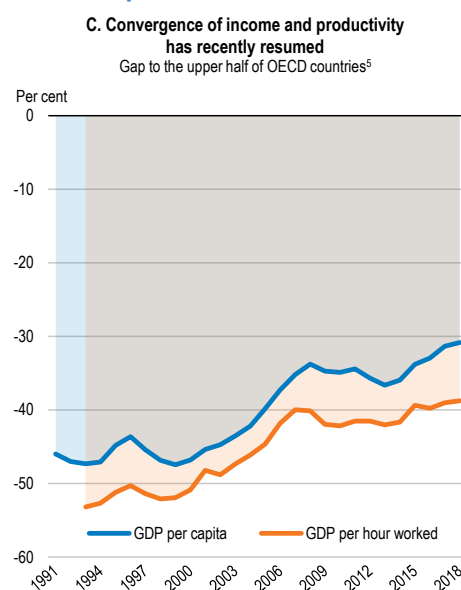
Growth performance, inequality and environment indicators: Czech Republic

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 4.6 | 2.7 |
| Labour utilisation | 0.5 | 1.4 |
| of which: Labour force participation rate | -0.1 | 0.7 |
| Employment rate ¹ | 0.5 | 0.8 |
| Employment coefficient ² | 0.2 | -0.2 |
| Labour productivity | 3.9 | 1.7 |
| of which: Capital deepening | 0.4 | 0.0 |
| Total factor productivity | 3.4 | 1.7 |
| Dependency ratio | 0.2 | -0.4 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 25.3 (31.7)* | -0.2 (0)* |
| Share of national disposable income held by the poorest 20% | 9.9 (7.6)* | 0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 11.8 (10.9)* | 11.9 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.4 (0.3)* | 0.4 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.3 | 0.3 |

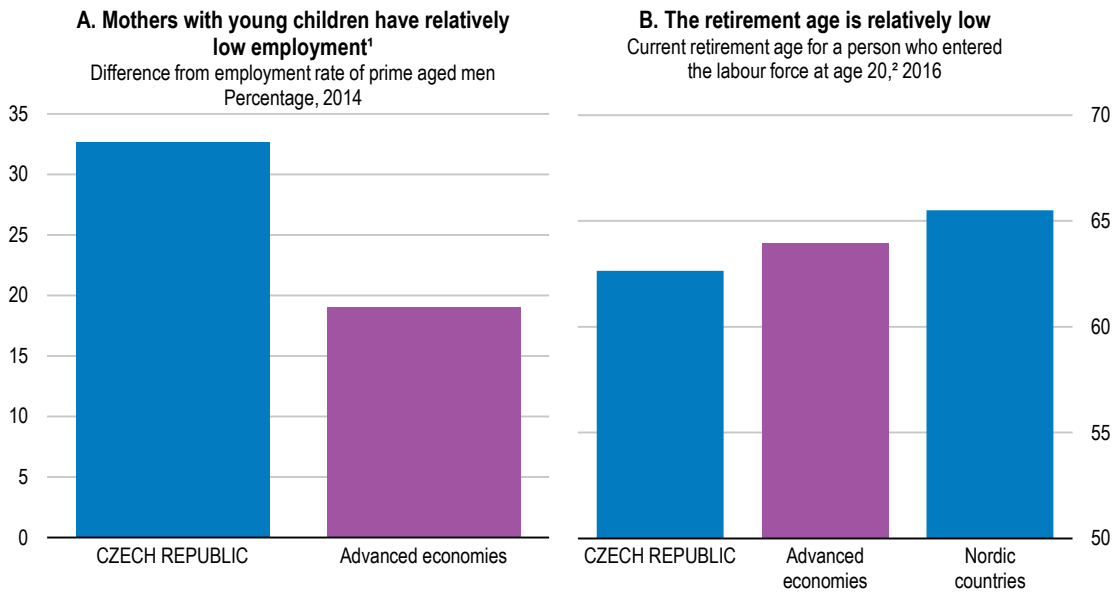
* OECD simple average (weighted average for emissions data)

Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.



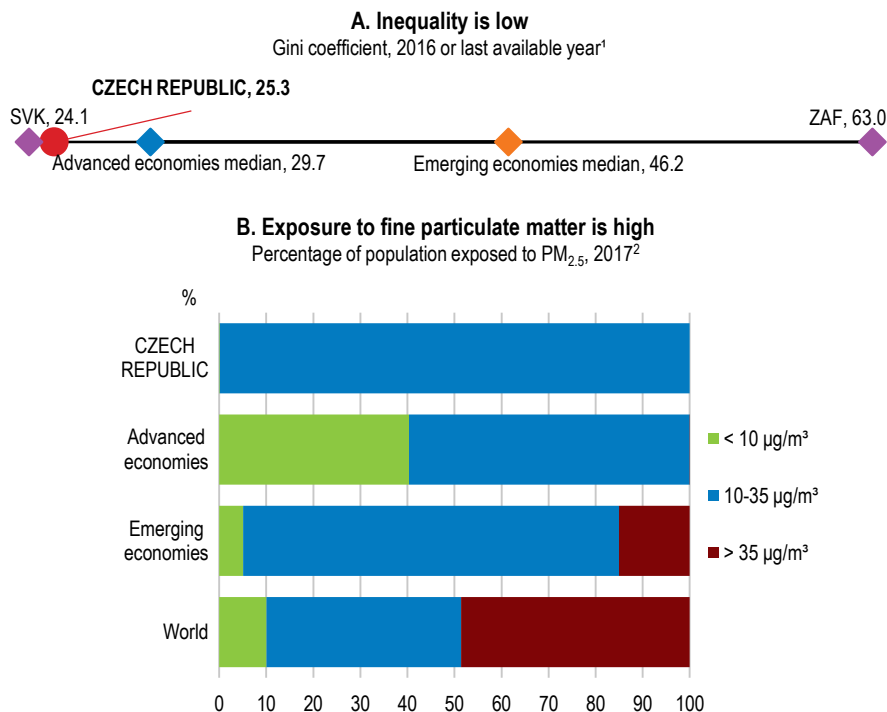
StatLink  <https://doi.org/10.1787/888933954800>

Policy indicators: Czech Republic



Source: Panel A: OECD (2018), OECD Employment Outlook 2018; Panel B: OECD, Pensions at a Glance Database.
StatLink <https://doi.org/10.1787/88893395674>

Beyond GDP per capita: Czech Republic



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.
StatLink <https://doi.org/10.1787/888933956548>

Czech Republic: *Going for Growth 2019* priorities

Make the labour market more inclusive. Reduce labour shortages by mobilising domestic labour, especially by supporting mothers of young children to reconcile work and family.

- **Actions taken:** Scaling up of childcare facilities is continued with guaranteed places for children older than 3 years from 2018. Despite improvements in expanding childcare facilities, an amendment to the Education Act, in effect since 1 September 2018, has abolished a legal requirement to admission of children less than 3 years into kindergartens. In September 2017, the new Family Policy Strategy was approved, containing measures addressing barriers for establishing new childcare services.
- **Recommendations:** Government spending should be shifted from parental leave to the supply of childcare facilities and early childhood education. Support the re-entering of female labour into the market by increasing the flexibility of jobs by providing alternative solutions such as part-time work, flexible teleworking arrangements and shared jobs.

***Link retirement age to life expectancy and support healthy ageing.** Provide an environment that promotes a healthy lifestyle to reduce the impacts of the rapidly ageing population on public finance.

- **Recommendations:** Reform the pension system to ensure both sustainability and adequacy of the system by linking the statutory retirement age to life expectancy. Support healthy ageing through scaling up of preventive programmes, health education and reduce exposure to environmental pollutants to reduce health spending related to ageing.

***Reduce skill mismatches by improving vocational education.** Skill shortages are constraining employment and productivity growth.

- **Recommendations:** Provide financial incentives to employers to get more involved in vocational education, in particular apprenticeships. Retraining should encompass solutions for all skills, in particular lifelong learning that help workers to adapt and update their skills over the course of their career.

Improve R&D and innovation policies to boost labour productivity. Raising business R&D spending and innovation performance would foster productivity and growth.

- **Actions taken:** Support under the National Research, Development and Innovation Policy 2016-2020 continues to increase the effectiveness of R&D spending through a better targeting of funds to the defined priority areas. Government spending on R&D through grants has been rising in the last 3 years.
- **Recommendations:** Develop government co-financing schemes to complement grants and increase fiscal incentives for business R&D spending. Develop re-skilling and up-skilling of the workforce to achieve economic upgrading and create an environment that facilitates knowledge spill-overs and innovation.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Improve the effectiveness of the public sector. Lifting the performance of the public sector will support inclusiveness.

- **Actions taken:** Framework conditions that help municipalities reaping the benefits from joint service provision are currently being developed in a special project in co-operation between the Ministry of Interior and the Union of Towns. Since 1 January 2018, a central register of real assets owners have been created to detect conflicts of interest of officials involved in procurement.
- **Recommendations:** Improve the co-ordination of public investment by designating responsibility for co-ordination and prioritisation on the basis of highest social return and the evaluation of investment needs in a standardised way across sectors. Improve value for money in public procurement by increasing the use of joint procurement through improved tools and rules and increasing auditing. Use and publish standardised performance indicators for publicly funded activities at all levels of government.

Denmark

GDP per capita is among the highest in the OECD with high levels of labour productivity. Hours worked are slowly declining and remain below the OECD average.

Income inequality is among the lowest in OECD countries, but it is gradually increasing. Greenhouse gas emissions are just below the OECD average and Denmark is on track to meet its reduction targets.

A property tax reform in 2017 lifted a longstanding nominal tax freeze, which will help to stabilise the housing market. Nevertheless, property tax rates remain too low relative to other assets and shifting the tax structure towards immovable property remains a priority. Competition has been strengthened by liberalisation of the taxi market regulation. Adult education, training and upskilling are being made more flexible and accessible with the involvement of social partners.

Removing distortions in the housing market via tax reform and rental deregulation would improve geographical mobility of the labour force. Reducing the complexity of the competition framework and raising the efficiency and alignment of the education system with future labour market demand would boost productivity.

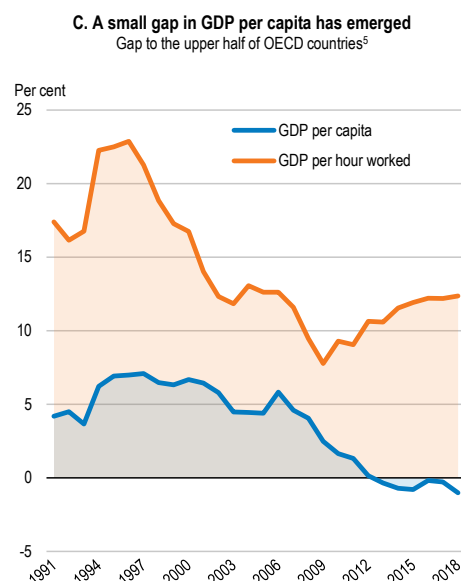
Growth performance, inequality and environment indicators: Denmark

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.2 | 1.2 |
| Labour utilisation | 0.5 | 0.6 |
| of which: Labour force participation rate | 0.1 | 0.0 |
| Employment rate ¹ | 0.2 | 0.5 |
| Employment coefficient ² | 0.2 | 0.1 |
| Labour productivity | 0.6 | 0.6 |
| of which: Capital deepening | 0.4 | 0.0 |
| Total factor productivity | 0.3 | 0.6 |
| Dependency ratio | 0.1 | 0.0 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2015 | 2013-15 |
| Gini coefficient ³ | 26.3 (31.7)* | 0.5 (0)* |
| Share of national disposable income held by the poorest 20% | 9.6 (7.6)* | -0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 10 (10.9)* | 10.1 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.2 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.1 | 0.1 |

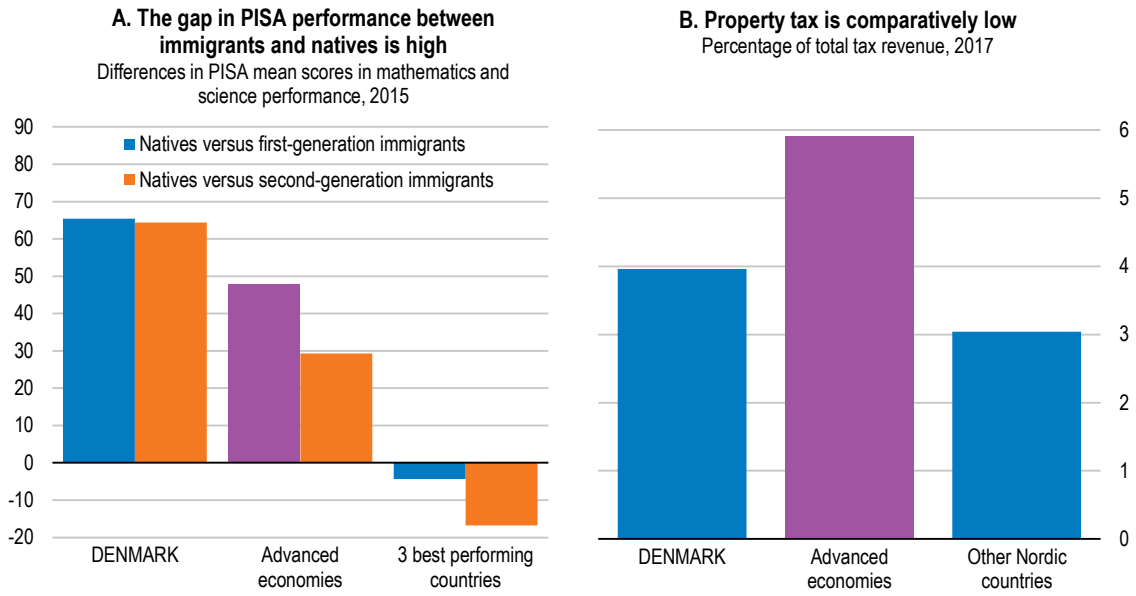
* OECD simple average (weighted average for emissions data)

Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases



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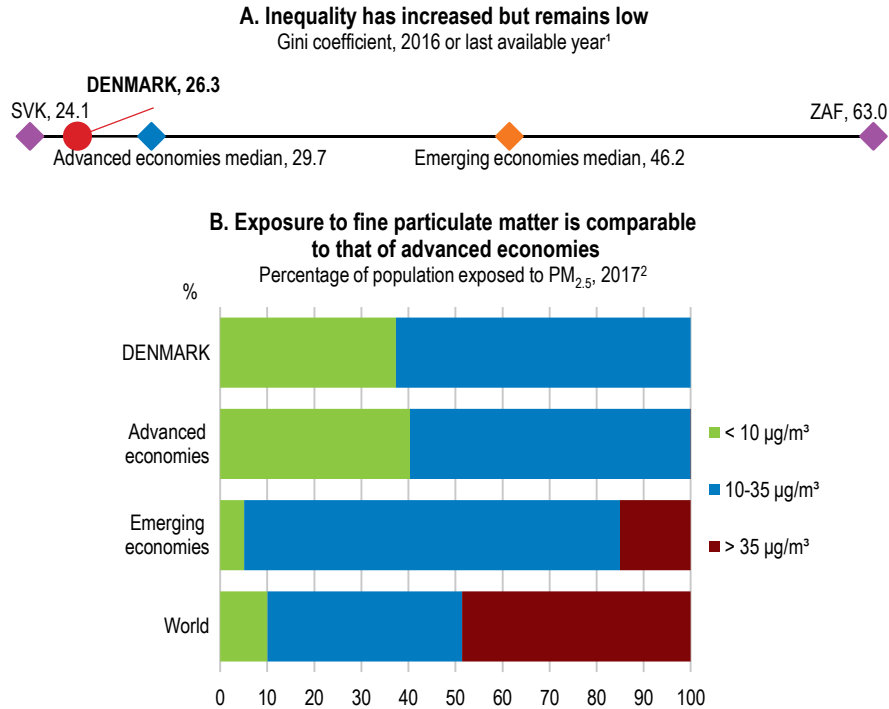
Policy indicators: Denmark



Source: Panel A: OECD, PISA 2015 Results (Volume I): Excellence and Equity in Education, Annex B1.7 Annex B1.7 Results (tables): Immigrant background, student performance and students' attitudes towards science; Panel B: OECD, Revenue Statistics Database.

StatLink <https://doi.org/10.1787/888933955693>

Beyond GDP per capita: Denmark



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933955657>

Denmark: *Going for Growth 2019* priorities

Strengthen integration of refugees and migrants. Boosting labour market participation and employability of foreign-born individuals and their children will help to foster inclusive growth, reduce social spending and expand the tax base.

- **Actions taken:** In 2018 a plan to combat the prevalence of deprived neighbourhoods was adopted. Municipalities are not allowed to move people receiving social assistance into these areas, children are required to attend day care from the age of one and resources are allocated to modernise social housing.
- **Recommendations:** Mitigate barriers to employment posed by high entry wages by improving the integration training programme and further involvement of social partners and civic society. Take steps to better co-ordinate language training, education, subsidised work and recognition of foreign competencies within municipalities and spread best practices across municipalities. For second generation immigrants, implement a broad integration strategy in the education system.

Shift the tax structure towards immovable capital. Moving taxation away from personal income to housing would bolster work incentives and reduce tax distortions across asset types.

- **Actions taken:** A property tax reform was approved in 2017 and will become fully effective in 2021. It includes a new system for housing valuation and replaces a nominal freeze of property taxes with proportional taxation, maintaining a progressive element for the most valuable homes.
- **Recommendations:** Shift the tax burden further away from labour and corporate incomes by raising the property and land tax rates and by reducing tax deductibility of interest expenses.

Reduce distortions in the housing market. Housing subsidies and rent regulation distort and hamper growth of the private rental market, reduce labour mobility and puts upward price pressure on house prices in the largest cities.

- **Actions taken:** No action taken.
- **Recommendations:** Ease rent regulation and reduce housing subsidies to support a better utilisation of the housing stock and a larger supply of rental flats. Improve targeting of housing subsidies by relying more on in-kind support for students and social housing in general.

Strengthen competition. Enforcement of competition, particular in some service markets, is complicated by the complexity of the competition framework, hampering productivity growth.

- **Actions taken:** Taxi market regulation has been liberalised from January 2018 and restrictions on licenses will be fully lifted by 2020. A strategy to enhance public procurement, including quantitative targets, better access for smaller firms and reduced transaction costs for firms was announced in May 2018.
- **Recommendations:** Streamline the institutional setup and procedural system for the competition authority to allow for effective enforcement. Simplify the complex and lengthy court procedures, for instance by allowing the competition authority to issue administrative fines within the constitutional limits. Develop clearer standards for exemptions from the Competition Act and involve the competition authority in their determination. Implement the public procurement strategy.

Improve the efficiency of the education system. Enhancing quality and aligning education better with future labour market demands would improve human capital accumulation and boost productivity growth.

- **Actions taken:** A tripartite agreement between the government and social partners in 2017 includes measures to improve quality of adult education, training and upskilling and make it more flexible and accessible, including through a digital one-stop entry platform.
- **Recommendations:** Improve the quality and relevance of vocational education to boost enrolment. Develop VET programmes that reflect future structural changes in the economy and offer pathways to higher education. Evaluate the supply of tertiary education to simplify and reduce the large number of entries and provide clear information on employment opportunities for prospective students. Reduce student grants for tertiary education and rely more on student loans. Link repayment conditions to subsequent income and labour market status.

Estonia

The gap in GDP per capita relative to the upper half of OECD countries remains large although it has been narrowing steadily since the global financial crisis. Employment has been increasing and labour productivity growth has also contributed to narrowing the gap.

Income inequality, which is around the OECD average, has moderately decreased in recent years. Greenhouse gas emissions per capita are high and failed to decrease over the past two decades.

Some of the priorities identified previously in Going for Growth – on skill shortages and the high structural unemployment – have been addressed, notably by boosting vocational education, encouraging the recipients of disability benefits to return to work and by reducing the labour tax wedge on low-income earners.

Improving research collaboration between domestic and foreign institutions, strengthening infrastructure, in particular by expanding access to European transport networks, and shortening corporate insolvency procedures would accelerate productivity growth. Further strengthening vocational education and training would boost productivity of low wage workers, thereby making growth more inclusive. Incentives for greener buildings and a smart electric grid would help improve energy efficiency, which is similar to the advanced OECD countries.

Growth performance, inequality and environment indicators: Estonia

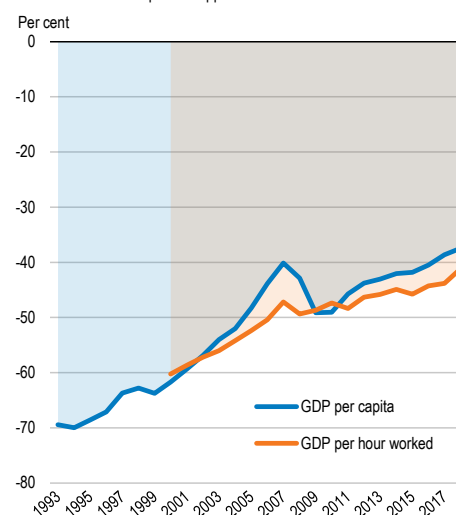
| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 6.4 | 3.2 |
| Labour utilisation | 1.9 | 2.1 |
| of which: Labour force participation rate | 1.2 | 1.0 |
| Employment rate ¹ | 1.1 | 0.8 |
| Employment coefficient ² | -0.3 | 0.2 |
| Labour productivity | 4.3 | 1.6 |
| of which: Capital deepening | 2.3 | 0.5 |
| Total factor productivity | 2.0 | 1.1 |
| Dependency ratio | 0.1 | -0.5 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 31.4 (31.7)* | -1.4 (0)* |
| Share of national disposable income held by the poorest 20% | 7.2 (7.6)* | 0.2 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 12.9 (10.9)* | 13.9 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.5 (0.3)* | 0.6 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.0 | 0.0 |

* OECD simple average (weighted average for emissions data)

C. Gaps in GDP per capita and productivity are narrowing steadily

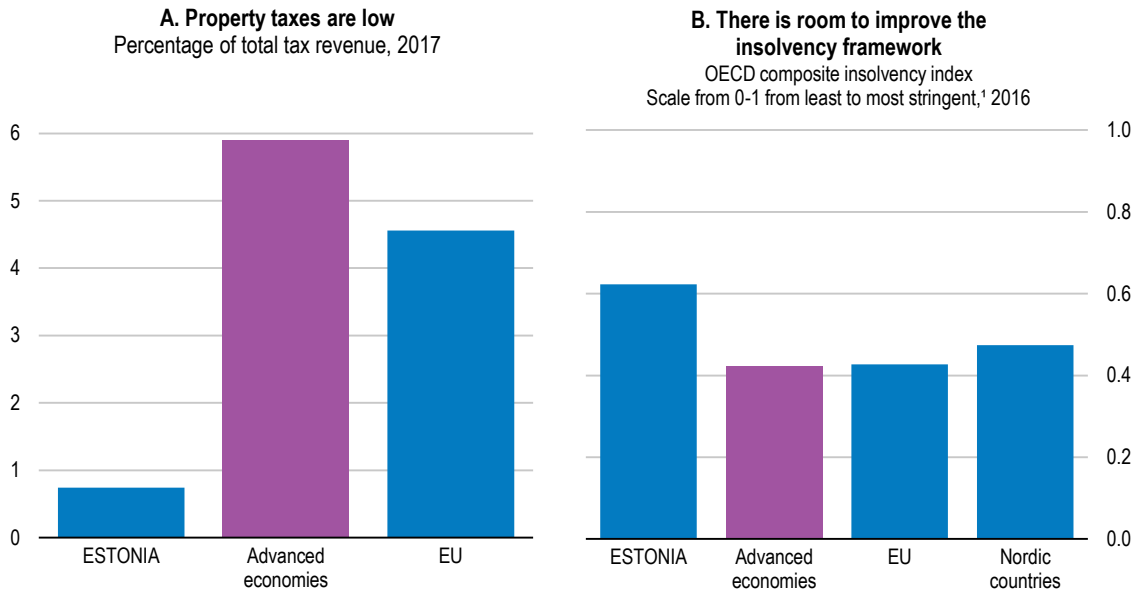
Gap to the upper half of OECD countries⁵



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink  <https://doi.org/10.1787/888933954838>

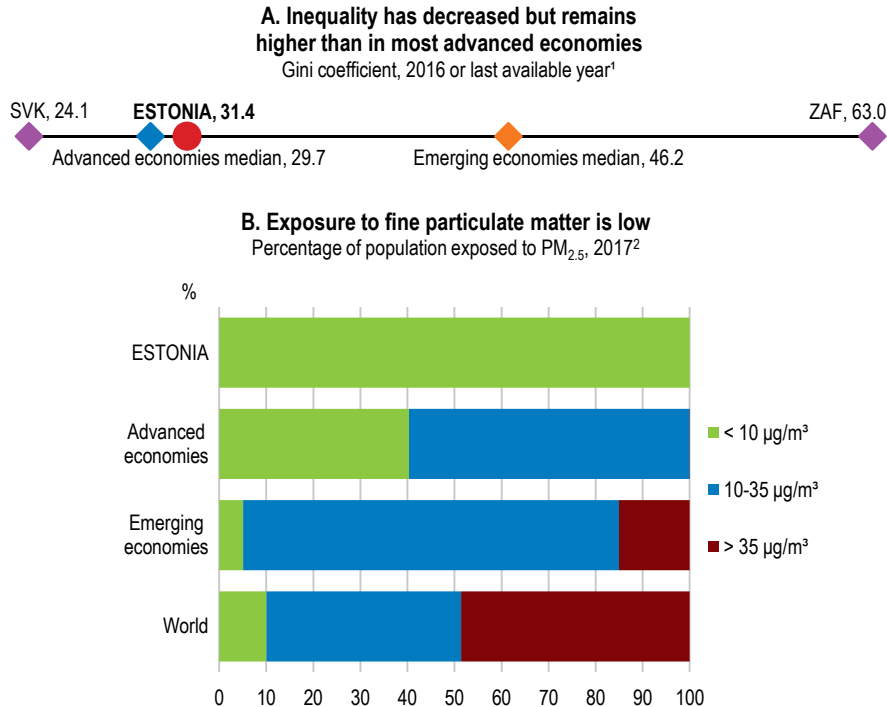
Policy indicators: Estonia



Source: Panel A: OECD, Revenue Statistics Database; Panel B: Adalet-McGowan, A. and D. Andrews (2018), "Design of Insolvency Regimes across Countries", OECD Economics Department Working Papers, forthcoming.

StatLink <https://doi.org/10.1787/888933955712>

Beyond GDP per capita: Estonia



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956586>

Estonia: *Going for Growth 2019* priorities

Reduce skill mismatches by improving vocational education and activation. Skill shortages contribute to structural unemployment and constrain competitiveness and out-of-work working-age individuals face a higher poverty risk.

- **Actions taken:** In 2017 and 2018 several new activation programmes were launched designed to improve digital competence, providing Estonian classes and offering development classes for disabled people. An activation programme for young people, designed to help them resume their studies or join the labour market, was developed and will be tested during 2018-2019. In 2018 the system for forecasting labour market needs (OSKA) was launched.
- **Recommendations:** Improve access to upper-secondary vocational education by providing more financial assistance to students. Expand workplace-based training by introducing a tax-free lower minimum wage for apprenticeships. Strengthen collaboration of business and schools at the local level.

Reduce labour taxation and costs in private pension schemes. High labour tax wedges on low-income earners and high operating costs of the compulsory private funded pension pillar borne by workers discourage employment.

- **Actions taken:** The 2018 budget increased the personal tax allowance from EUR 180 to EUR 500, effectively lowering the tax wedge for low-wage earners. In 2018 a pension reform bill was approved by the government, enhancing the work incentives of older worker.
- **Recommendations:** Further reduce the tax burden on labour earnings by reducing social security contributions on low-pay workers. Abolish the lump-sum minimum social tax. Raise more revenue from real estate taxation by removing exemptions and by evaluating property according to market prices. Reduce the operating costs of compulsory private pension systems, in particular marketing expenses, through further disclosure of information on costs in a standardised manner.

Enhance the effectiveness of innovation policies. Expenditure on research and development has decreased since 2011 and its share of GDP is below the European Union average.

- **Actions taken:** In 2018, a development programme for the ICT sector has been approved, including the provision of subsidies for the recruitment of foreign ICT specialists and support for the digital transition of the industry. During 2018 the authorities have also started to gather information on R&D sectorial needs.
- **Recommendations:** Strengthen knowledge transfer to domestic firms, especially SMEs, by further promoting collaboration between firms and higher education institutes and between domestic and foreign research institutions. Hold inter-ministerial working groups co-ordinating innovation policies and review their performance regularly. Shorten corporate insolvency procedures in order to promote entrepreneurship and resource allocation.

Promote efficiency in the regulation of energy markets. Low energy efficiency contributes to high CO₂ emissions.

- **Actions taken:** Connection between Estonia and Latvia through the Baltic Connector project will be established by 2020. The gasoline excise tax rate has been progressively raised and should increase by 10% in 2018. Starting from 2018, a new road use charging scheme for heavy vehicles has been introduced.
- **Recommendations:** Reduce the share of oil shale in the energy mix. Reduce electricity losses during transfer by introducing a smart grid. Improve incentives for increasing efficiency in district heating, for instance by applying benchmark regulation. Raise incentives for households and building owners to invest in energy efficiency in buildings, for example by providing more financial support to low-income households for energy-saving investments. Increase transport-related taxes.

Improve infrastructure. Infrastructure bottlenecks are constraining labour mobility and well-being.

- **Actions taken:** The government announced an investment programme of 0.4 % of GDP each year over 2018-2020 to finance infrastructure in transport and information and communications technologies, as well as some specific housing and tourism projects.
- **Recommendations:** Expand access to EU energy and railway networks. Provide sufficient funding to rural infrastructure projects. Improve inter-modal transport connections.

European Union

GDP per capita relative to the upper half of OECD countries has declined since the global financial crisis, mainly due to higher structural unemployment. Labour productivity has evolved in tandem with that in other advanced economies.

Income inequality in the European Union varies widely between Member States. Notably it is higher than the OECD average in the countries that were hit particularly strongly by the crisis. Greenhouse gas emissions are lower than that of most advanced OECD countries, but exposure to fine particulate matter is high.

The single market remains fragmented. The Commission launched a new services package in January 2017 that aims at facilitating the mobility of professionals and streamline cross-border administrative procedures in construction and business services. Some of these proposals are unlikely to receive support in the EU legislative process. No progress has been made on reducing producer support to agriculture and make the EU budget more growth-friendly.

Pressing ahead with the single market project by removing remaining barriers in services, energy, digital and transport would spur long-term growth and improvements in living standards. Greater intra-EU labour mobility and facilitation of hiring skilled workers from outside the European Union could ease ageing-related labour shortages. Despite recent revisions to the EU Emission Trading System, to meet the EU 2030 greenhouse-gas emission targets in a cost efficient way, policy needs to be tightened, with more attention to the interactions of policies at EU, national and local level.

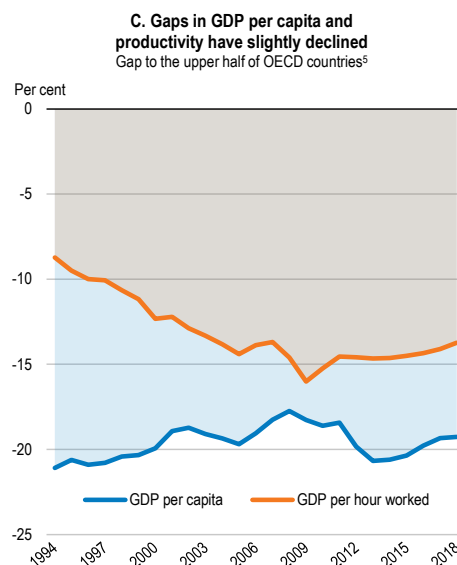
Growth performance, inequality and environment indicators: European Union

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.8 | 1.5 |
| Labour utilisation | 0.7 | 0.9 |
| of which: Labour force participation rate | 0.5 | 0.3 |
| Employment rate ¹ | 0.3 | 0.6 |
| Employment coefficient ² | -0.1 | 0.0 |
| Labour productivity | 1.1 | 0.8 |
| of which: Capital deepening | 0.5 | 0.1 |
| Total factor productivity | 0.7 | 0.7 |
| Dependency ratio | 0.0 | -0.2 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 29.9 (31.7)* | -0.1 (0)* |
| Share of national disposable income held by the poorest 20% | 8.1 (7.6)* | 0 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 8 (10.9)* | 8.4 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.2 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 9.8 | 10.5 |

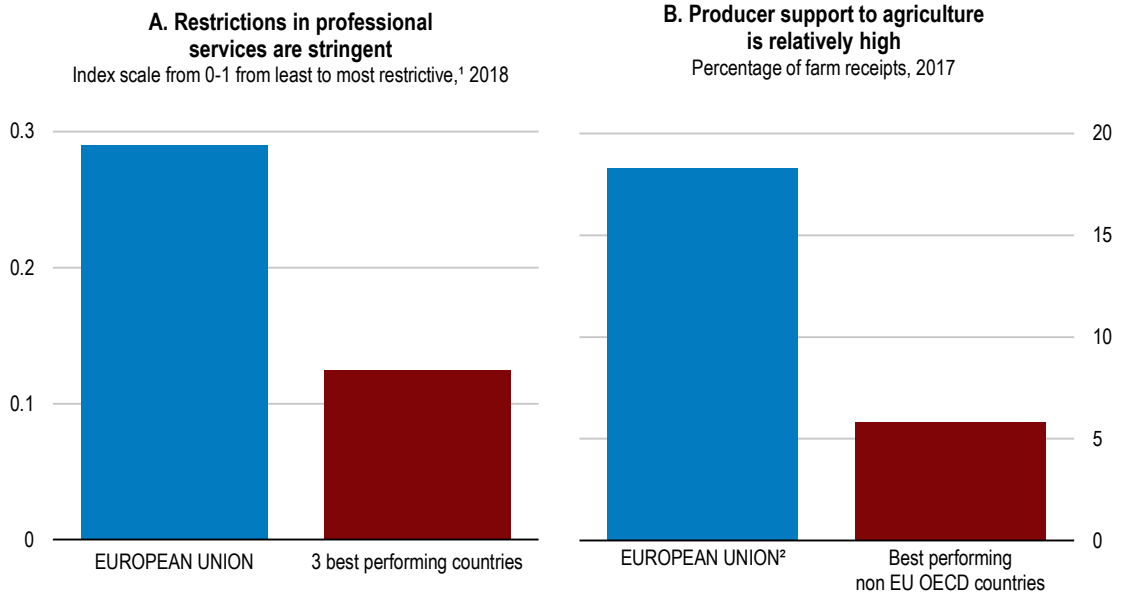
* OECD simple average (weighted average for emissions data)

Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.



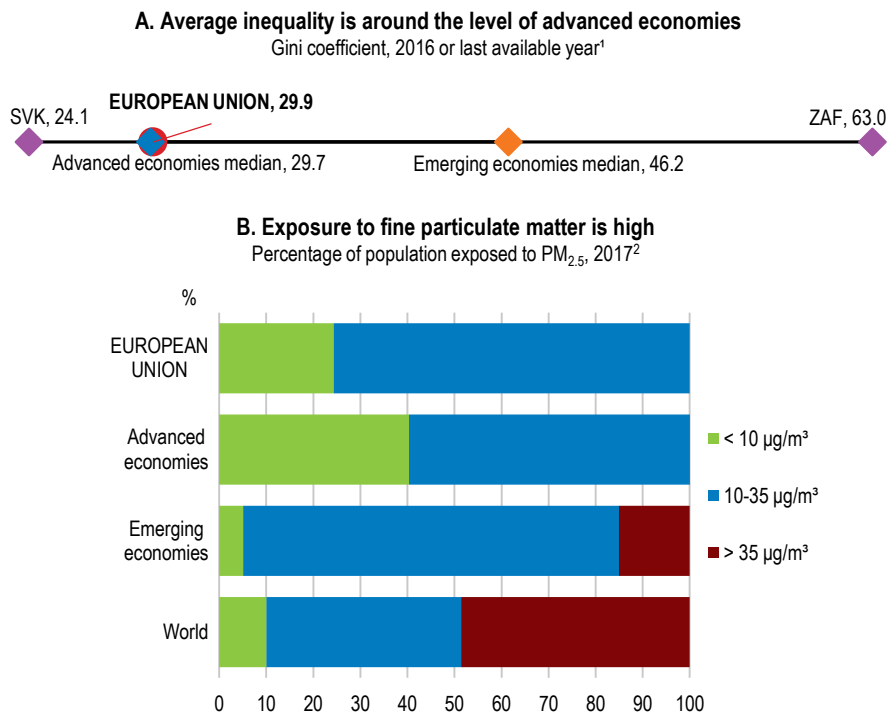
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Policy indicators: European Union



Source: Panel A: OECD, Services Trade Restrictions Database; Panel B: OECD, Producer Support Estimate Database.
StatLink <https://doi.org/10.1787/888933955731>

Beyond GDP per capita: European Union



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.
StatLink <https://doi.org/10.1787/888933956605>

European Union: *Going for Growth 2019* priorities

Enhance support for innovation. Innovation and its widespread diffusion are essential for stronger productivity growth.

- **Actions taken:** The Better Regulation Guidelines to decrease administrative burdens and the underlying toolbox were updated and strengthened in 2017.
- **Recommendations:** Increase spending on research and development in the EU budget. Progress in harmonising insolvency proceedings through minimum European standards allowing simpler early restructuring, shortening the effective time to discharge, and more efficient liquidation proceedings.

Increase competition in service and network sectors. Restrictive regulations in service sectors hinder cross-border competition and investment. Network sectors remain fragmented along national lines.

- **Actions taken:** The 2017 service package aims at facilitating the mobility of professionals and streamline cross-border administrative procedures in construction and business services.
- **Recommendations:** Address barriers in business services through simplified administrative formalities for the establishment and provision of cross-border services and guidance on implementing EU legislation. Pursue the planned cross-border co-operation on power system operation and trade in electricity, including interconnection capacity calculations and reserve margins.

Reduce producer support to agriculture. Price support distorts markets for some agricultural products and reduces EU budget resources to support investment and growth.

- **Actions taken:** No action taken
- **Recommendations:** Phase out production-based payments in the Common Agricultural Policy. Reassess direct support and target it better to environmental and climate change mitigation objectives and to support farming methods that are more resilient to climate change.

Remove barriers to labour mobility within the European Union. Labour mobility within the EU remains low, hampering the absorption of country-specific shocks and a more efficient allocation of resources across borders.

- **Actions taken:** In 2017 the Commission proposed a European services e-card simplifying administrative formalities required to provide services in another Member State. The Commission proposed/introduced reform recommendations for the regulation of professional services and a proportionality test before adoption of new regulation on professional services.
- **Recommendations:** Increase spending on mobility programmes such as Erasmus+ and facilitate access to these programmes irrespective of socio-economic background. Foster the harmonisation of professions' curricula at the EU level. Make the electronic European professional card available to all sectors. Step up efforts at the EU level to coordinate the design and organisation of joint cross-border labour and tax control activities.

***Strengthen the drive to fight climate change.** On current policies, greenhouse gas emissions are projected to exceed the 2030 target that the EU and its member states have collectively committed to.

- **Recommendations:** Increase the price of greenhouse gas emissions. Increase minimum tax rates on fossil fuel use that falls outside the ETS, especially where tax rates are currently low or zero. Consider including transport into the EU Emissions Trading System (ETS). Improve consistency of targets and policies at the EU, national and local levels.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Finland

The GDP per capita gap relative to the upper half of OECD countries is narrowing anew, as growth is picking up strongly thanks to a favourable global environment and the effect of structural reforms.

Income inequality is low by OECD standards and has been relatively stable over recent years. Greenhouse gas emissions are declining and the share of renewable energy is increasing.

The reform of unemployment benefits addressed the priority through shortening the duration of unemployment benefits and stricter conditionality. Progress on competition is substantial, with an easing of restrictions applying to large retail units from spring 2017 – making this no longer a priority – and a gradual opening to competition of new segments of the transport sector starting 2018. A health care and social services reform is underway continuing the provision of high-quality services at a reasonable cost to an ageing population.

The employment rate is much lower than in the other Nordic countries, calling for measures on a wide front. The welfare system needs to be reformed, to enhance work incentives, while continuing to protect the vulnerable. Reforming parental leave and the home-care allowance would encourage women's labour market participation, with a positive impact on output and gender equality. Further reforms to spur competition, notably in transport and construction, would lift productivity. The tax structure should become more growth and environmentally friendly.

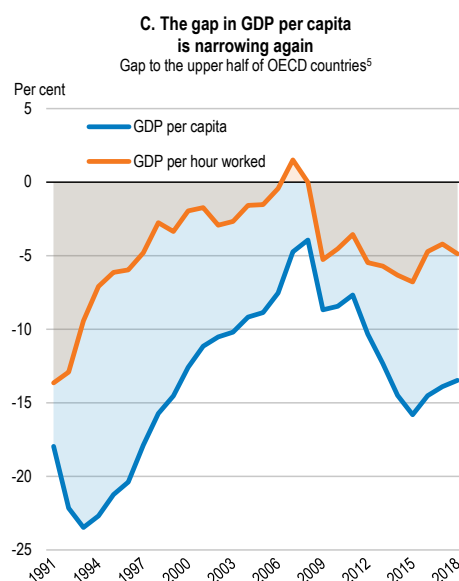
Growth performance, inequality and environment indicators: Finland

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 2.7 | 0.8 |
| Labour utilisation | 1.0 | 0.3 |
| of which: Labour force participation rate | 0.2 | 0.1 |
| Employment rate ¹ | 0.5 | 0.1 |
| Employment coefficient ² | 0.3 | 0.1 |
| Labour productivity | 1.7 | 0.6 |
| of which: Capital deepening | 0.2 | 0.1 |
| Total factor productivity | 1.4 | 0.6 |
| Dependency ratio | 0.0 | -0.1 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2017 | 2013-17 |
| Gini coefficient ³ | 26.6 (31.7)* | 0.1 (0)* |
| Share of national disposable income held by the poorest 20% | 9.5 (7.6)* | 0 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 5.8 (10.9)* | 6.3 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.1 (0.3)* | 0.2 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.1 | 0.2 |

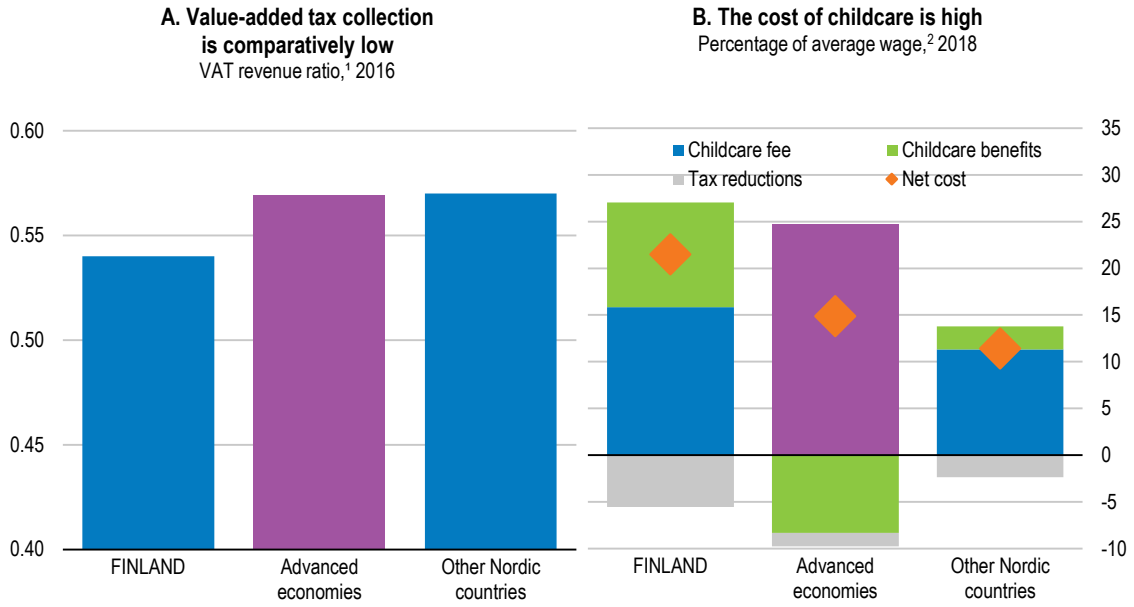
* OECD simple average (weighted average for emissions data)

Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.



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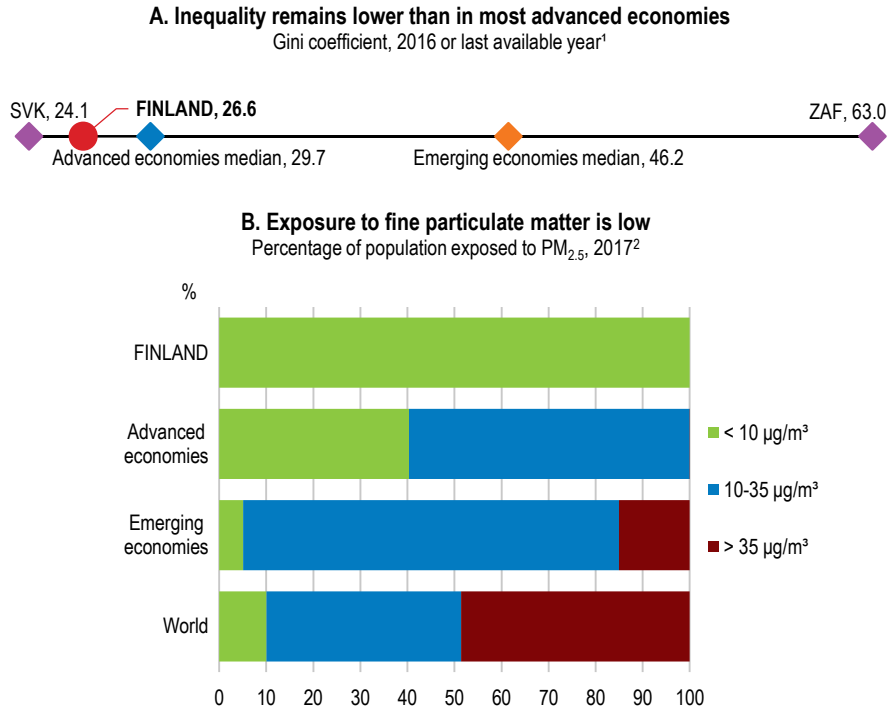
Policy indicators: Finland



Source: Panel A: OECD (2018), Consumption Tax Trends 2018: VAT/GST and Excise Rates, Trends and Policy Issues, Consumption Tax Trends; Panel B: OECD, Tax-Benefit Models.

StatLink <https://doi.org/10.1787/888933955750>

Beyond GDP per capita: Finland



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956624>

Finland: *Going for Growth 2019* priorities

Reduce barriers to female labour force participation. The homecare allowance and the childcare fee structure reduce the attractiveness of work for parents, notably second earners in couples with children aged one to six.

- **Actions taken:** The childcare fee was lowered slightly in 2017. A reform of parental leave to encourage better sharing between parents was discussed, but did not gather enough political support.
- **Recommendations:** Reduce the combined duration of parental leave and the homecare allowance to foster participation in childcare and incentivise full-time employment. Calculate childcare fees on individual rather than household incomes.

Enhance competition in transport and construction. Streamlining regulations in transport and construction would encourage innovation and lift productivity.

- **Actions taken:** Taxi fares are deregulated from mid-2018. A new Act on Transport Services approved by Parliament in 2017 will gradually open new segments of the transport market to competition and facilitate interactions between different modes of transportation. Rail passenger transport will be opened to competition in the early 2020s.
- **Recommendations:** Implement the reforms planned in transport. Streamline regulations in the construction and building materials industries.

Improve the efficiency of public services in municipalities. Public services need to be produced more efficiently, to ensure adequate provision in the face of stretched public finances and rising demand as population ages.

- **Actions taken:** A reform of health, social services, and regional government set to enter into force in January 2021. This will shift most responsibilities for service provision from municipalities to new autonomous regions, creating opportunities for economies of scale and more equal access to services.
- **Recommendations:** Ensure that the reform achieves economies of scale and a better balance between primary and specialised care, while reinforcing equality in access to health care and social services. Encourage more competition where the population base and the nature of services make it viable.

Improve the efficiency of the tax system to support green and inclusive growth. The tax wedge on labour remains high, reduced value added tax (VAT) rates lower tax revenue and many environmentally harmful subsidies remain.

- **Actions taken:** Tax and social contribution cuts related to the Competitiveness Pact signed by the social partners reduce the tax wedge somewhat from 2017. Energy and CO₂ taxes, excise duties and property tax rates have increased further. Mortgage interest deductibility is being reduced in steps.
- **Recommendations:** Further reduce the tax burden on labour, increase recurrent taxes on immovable property and environmentally-related taxes, broaden the consumption tax base and phase out reduced VAT rates, continue to phase out mortgage interest deductibility and phase out environmentally harmful subsidies.

***Reform the welfare system to increase work incentives.** The combination of different working-age benefits, childcare costs and income taxation creates complexity, reduces work incentives and holds back employment.

- **Recommendations:** Harmonise working-age benefits and coordinate their tapering against earnings. Simplify administrative procedures to reduce uncertainty about the amount and timing of cash receipts when beneficiaries' circumstances change.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

France

The gap in GDP per capita relative to the upper half of OECD countries continues to widen. Potential GDP per capita growth has fallen due to slowing employment growth and weak labour productivity gains.

Inequality, as measured by the Gini index, has been contained over recent years and remains below the OECD average. Lower-income households hold a larger share of national disposable income than on average in the OECD. Greenhouse gas emissions per capita are relatively low, but exposure to air pollution is elevated in some cities.

The government increased the role of social dialogue, improved legal certainty for dismissals and streamlined worker representation in 2017, addressing the respective 2017 priority. It also reduced social contributions, while increasing in-work benefits. The 2018 reform of lifelong learning, apprenticeships and additional public spending will ease access to training for low-skilled and unemployed workers. In disadvantaged neighbourhoods, class sizes in the first grades have been halved and additional funding will be available for pre-school. The reduction of the compulsory school age to three years will also reduce early social disparities. The government ordered specific expenditure reviews to lower public spending.

Quickly implementing structural reforms to raise the efficiency of public spending and improve its targeting would improve well-being, and help lower the tax burden. Reducing the recurrence of short-term contracts and improving youth labour market integration would raise inclusiveness. Developing the foreseen quality control system for training providers would ensure an effective use of lifelong training. Lowering entry and firm growth barriers would improve resource allocation, productivity and employment.

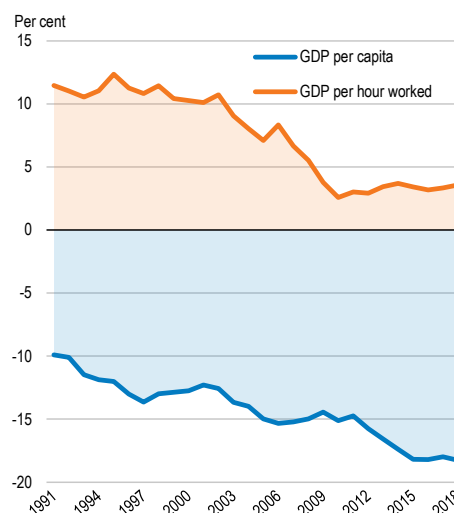
Growth performance, inequality and environment indicators: France

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.0 | 0.9 |
| Labour utilisation | 0.1 | 0.3 |
| of which: Labour force participation rate | 0.2 | 0.0 |
| Employment rate ¹ | 0.1 | 0.1 |
| Employment coefficient ² | -0.2 | 0.2 |
| Labour productivity | 1.1 | 0.6 |
| of which: Capital deepening | 0.5 | 0.2 |
| Total factor productivity | 0.6 | 0.4 |
| Dependency ratio | -0.1 | 0.0 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 29.1 (31.7)* | 0 (0)* |
| Share of national disposable income held by the poorest 20% | 8.8 (7.6)* | 0 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 6.4 (10.9)* | 6.7 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.2 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.9 | 1.0 |

* OECD simple average (weighted average for emissions data)

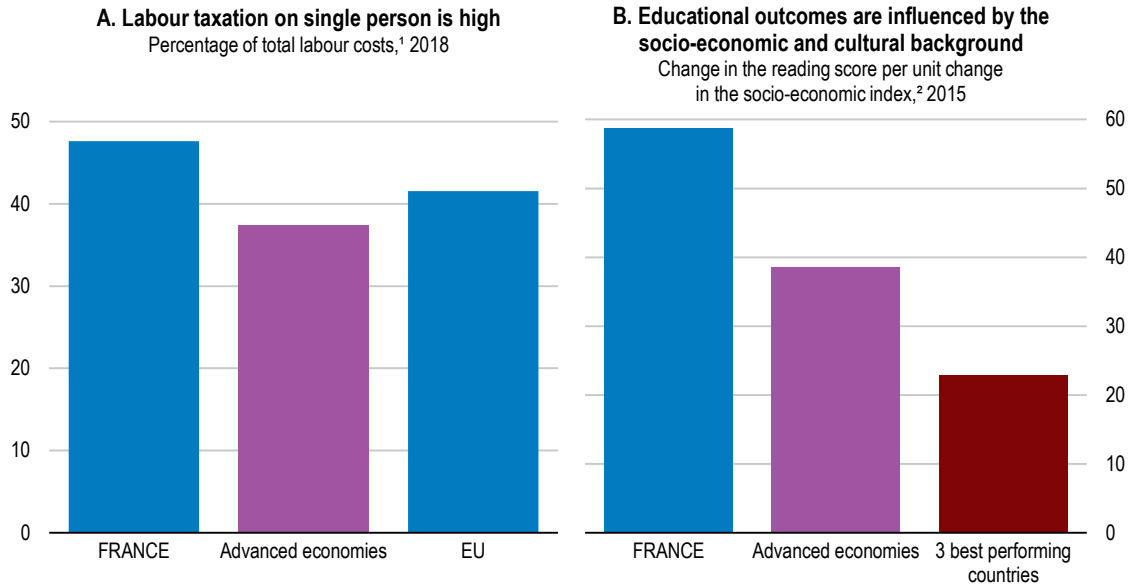
C. The gap in GDP per capita is sizeable
Gap to the upper half of OECD countries⁵



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

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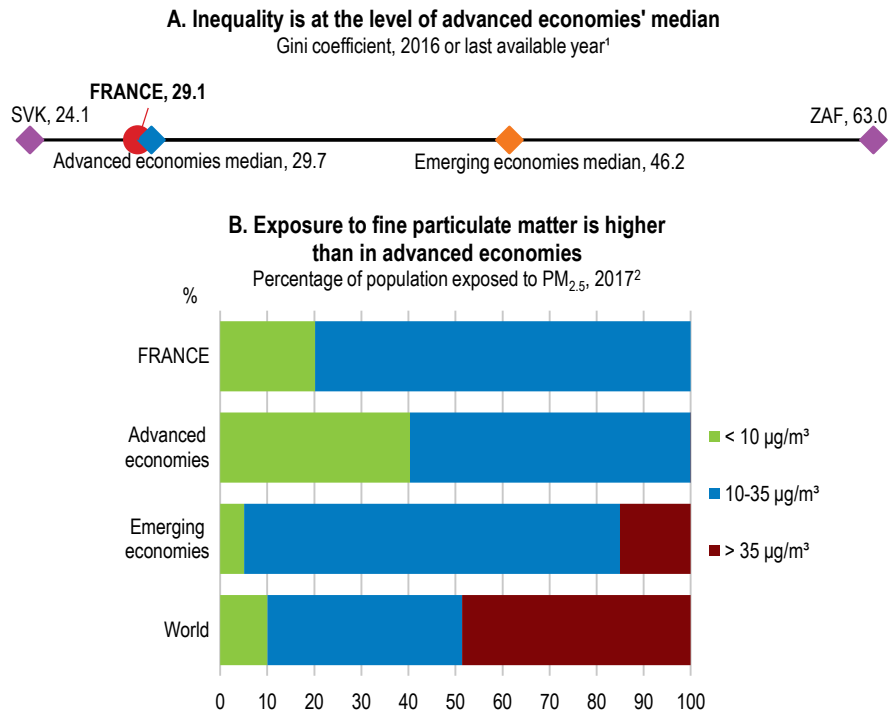
Policy indicators: France



Source: Panel A: OECD, Taxing Wages Database; Panel B: OECD, PISA Database.

StatLink <https://doi.org/10.1787/888933955769>

Beyond GDP per capita: France



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956643>

France: Going for Growth 2019 priorities

Reduce further labour market segmentation. Reducing the excessive use of short-term contracts and improving school to work transitions would raise inclusiveness and strengthen youth employment prospects.

- **Actions taken:** The government improved legal certainty for dismissals. Social partners negotiated industry-specific measures to reduce the use of short-term contracts in 2018. The government intends to modulate unemployment insurance contributions as a function of employers' use of short-term contracts in some sectors and to reform the rules of unemployment insurance, notably for those having repeated short-term employment spells. In 2018, the government regionalised career guidance in initial education.
- **Recommendations:** Evaluate industry-specific measures to reduce the use of short-term contracts. Restrict the accumulation of unemployment insurance rights during repeated temporary jobs. Streamline the schemes for helping young people to find jobs. Ensure career guidance takes place at schools from an early age and involve social partners.

Improve the equity and quality of education. Individualised support for weak students and improved lifelong learning would strengthen skills and employment.

- **Actions taken:** In 2017, class sizes of first grades have been reduced in disadvantaged primary schools and additional funding will be available for pre-school until 2022. The compulsory school age was lowered to three years in 2018. The 2018 reform of secondary schooling and the initial vocational track will put more emphasis on skills and guidance. The 2018 lifelong learning reform and additional public expenditures should improve access to training for unemployed and low-skilled workers. The 2018 reform also foresees to set quality standards and to ease the use of workers' personal training accounts. Another reform eased apprenticeship procedures for students and employers and transferred the management of apprenticeship centres to social partners. The government also increased the salary bonus for staff in disadvantaged schools in 2018 and will make pre-primary education compulsory for three year olds in 2019.
- **Recommendations:** Continue to reduce class size for other grades in disadvantaged neighbourhoods. Raise the availability of pre-school places in disadvantaged neighbourhoods and strengthen their allocation to increase the take-up of low-income children. Promote innovative practices in teacher training to meet the different needs of pupils. Offer attractive salaries and career prospects to excellent teachers in disadvantaged schools. Develop apprenticeships in secondary schools. Set and enforce quality standards for lifelong training courses.

Reduce regulatory barriers to competition. Easing firm entry and growth would boost competition, productivity and jobs, notably in services and network sectors.

- **Actions taken:** In 2018, the government reorganised the railway sector to open up the passenger-transport sector to competition. It streamlined workers' representations for larger firms and required industry-level labour agreements to take into account the needs of smaller firms. A pro-business law (*loi PACTE*) was legislated in early 2019 simplifying firm entry requirements, smoothing regulatory thresholds and reducing entry barriers in craft occupations.
- **Recommendations:** Ensure an independent assessment of the impact on competition of draft laws and regulations. Reduce entry barriers, quotas and exclusive rights in other regulated professions, and create the same conditions for Sunday trading everywhere.

Reduce labour taxes. Lowering the tax wedge across the board will translate into employment gains without creating low-wage traps.

- **Actions taken:** The government reduced the tax wedge by shifting some social security contributions to a broader tax base in 2018. Permanent employer social security cuts around the minimum wage will replace a wage-based tax credit in 2019. In 2017, the government lowered recurrent property taxes and capital taxation and increased environmental and tobacco taxes.
- **Recommendations:** Streamline labour cost reductions by translating them into contribution cuts across the board financed by efficiency gains, spending cuts and by increasing taxes on other bases, notably through reduced tax expenditures.

***Strengthen public spending efficiency.** Local administrative fragmentation and weak efficiency of some expenditures lower well-being and raise the tax burden.

- **Recommendations:** Build on ongoing expenditure reviews to meet the ambitious targets to reduce public spending. Streamline local government organisation by merging small municipalities. Allocate responsibilities of local infrastructure and urban planning to municipality groups to deal with environmental and other spillovers. Move towards a single pension system to improve labour mobility and lower management costs.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Germany

GDP per capita remains among the highest in OECD countries. Labour force participation is high and unemployment is very low, but working hours are relatively short.

Income inequality is lower than the OECD average. However, a high share of workers earns low wages, partly because many low-skilled workers and women work part-time. Fine particle concentrations remain high and CO₂ emissions have fallen only slightly since 2013.

The government has increased investment in childcare and education infrastructure. Contribution rates to the statutory pension have been reduced slightly. The government has pledged in its coalition agreement to reduce the tax burden and to strengthen childcare and lifelong education further.

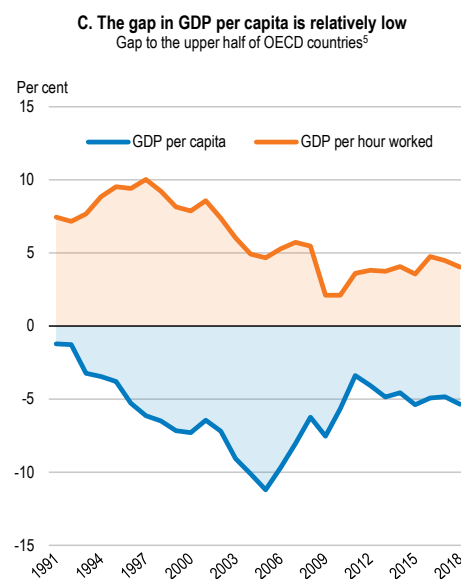
Reducing restrictive regulation in the professional services and government ownership in business sector activities would improve efficient resource allocation and technology diffusion. Lowering personal costs of bankruptcy for failed entrepreneurs and improving access to high speed Internet would enhance technology diffusion. Supporting middle-skilled workers to adapt to technology change through better access to training would promote inclusive growth. Increasing the supply of high-quality childcare and full-day schooling would allow women to work longer hours and narrow the large gender earnings gap. Investment in low-emission transport infrastructure reduces pollution and can help Germany meet its CO₂ reduction target.

Growth performance, inequality and environment indicators: Germany

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.6 | 1.2 |
| Labour utilisation | 0.9 | 0.9 |
| of which: Labour force participation rate | 0.9 | 0.6 |
| Employment rate ¹ | 0.2 | 0.3 |
| Employment coefficient ² | -0.3 | 0.0 |
| Labour productivity | 1.0 | 0.6 |
| of which: Capital deepening | 0.1 | -0.2 |
| Total factor productivity | 0.8 | 0.8 |
| Dependency ratio | -0.2 | -0.4 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 29.4 (31.7)* | 0.1 (0)* |
| Share of national disposable income held by the poorest 20% | 8.2 (7.6)* | -0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 10.9 (10.9)* | 11.2 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.3 (0.3)* | 0.3 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 1.9 | 2.0 |

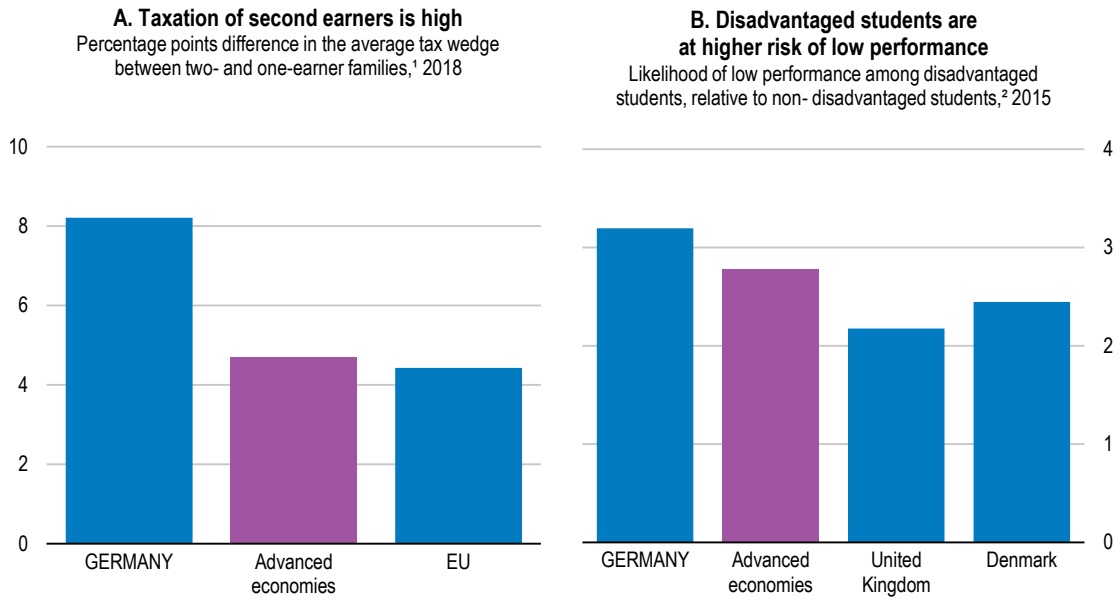
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink  <https://doi.org/10.1787/888933954914>

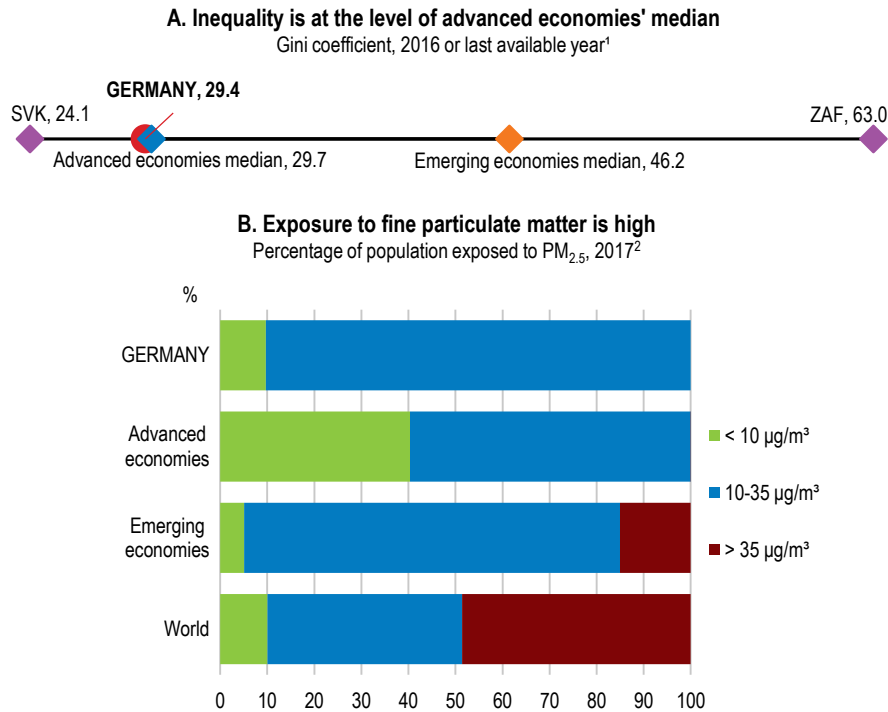
Policy indicators: Germany



Source: Panel A: OECD, Taxing Wages Database; Panel B: OECD, PISA Database.

StatLink <https://doi.org/10.1787/88893395788>

Beyond GDP per capita: Germany



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956662>

Germany: *Going for Growth 2019* priorities

Make it easier for parents to choose the working hours they want. Women's relatively short working hours result in a large gender earnings gap and underutilisation of their skills.

- **Actions taken:** In 2017, a new investment program for expanding and improving childcare worth EUR 1.1 billion until 2020 was launched. As a result of continuous efforts to increase full-day primary schools, the proportion of such schools has reached more than 50% in 2017. Further spending increases on full-day schooling and financial support for the federal states ("Länder") to improve the quality of childcare are foreseen in the government's coalition agreement. The tax advantage for married couples, while being unchanged, is distributed more evenly between partners since 2018 and a 2017 reform forces large companies to be more transparent about how women's wages compare to those of male colleagues.
- **Recommendations:** Further expand full day high-quality primary education. Raise quality standards in childcare and early childhood education. Further lower the tax burden on the wage income of second earners. Increase the minimum amount of time, from the current two months, that the second parent has to take parental leave, for the couple to receive the maximum leave entitlement.

Strengthen skills to cope with technological change. Workers, particularly from weak socio-economic backgrounds, need to develop stronger cognitive and digital skills to adapt to technological change.

- **Actions taken:** In 2017, the government increased the funding to support financially weak municipalities to invest in school infrastructure. It also plans to invest EUR 5 billion until 2021 in digital equipment of schools. The government enacted a law in 2018 to provide more financial support and counselling for lifelong learning and is putting in place a national lifelong learning strategy to address the skill needs due to technology changes.
- **Recommendations:** Strengthen general education within vocational schools while maintaining the strong labour market orientation of vocational education and training. Offer more training programmes for the modular acquisition of qualifications in lifelong learning and foster the recognition of skills acquired on-the-job. Strengthen financial support and counselling for unskilled adults to obtain professional qualifications.

Reduce tax wedges on labour income and shift taxation towards less distortive taxes. The tax burden on low labour income is high while there is room to increase taxation on consumption, environmental externalities, real estate and capital income.

- **Actions taken:** Public pension contributions were lowered by 0.1 percentage points in 2018 and the average of contributions for social health insurance providers fell in 2018. The wage range that benefits from reduced social security contributions has been extended to EUR 1 300 (from previously EUR 850).
- **Recommendations:** Lower social security contributions, especially for low-wage workers. Update real estate tax valuations and apply the taxation of capital gains to residential real estate. Eliminate reduced VAT tax rates, such as on hotel services. Raise the tax rates applying to household capital income towards marginal income tax rates applying to other income sources. Phase out tax expenditures for activities that damage the environment and gradually adjust energy tax rates according to carbon intensity. Introduce taxation of NO_x emissions.

Promote better technology diffusion and better resource allocation. Limited firm creation and barriers to competition, including extensive state control of large companies in key sectors, are holding back productivity growth.

- **Actions taken:** In 2016, the government allowed the use of foreign IMSIs (identification numbers that allow for device recognition and network routing) in Germany as well as the use of German IMSIs abroad. It also allowed mobile service providers that do not own the wireless network over which it provides services to acquire IMSIs. Those measures are expected to enhance competition in the German mobile market and facilitate diffusion of the Internet of Things. One *Landesbank* was privatised in 2018 as required by the EU Commission under state aid rules.
- **Recommendations:** Reduce restrictive regulation in the professional services and government ownership in business sector activities. Ease the conditions for bankrupt entrepreneurs to be discharged of debt after three years, while maintaining adequate safeguards for creditors. Create a one-stop shop to process all procedures for starting up a company online.

***Close the infrastructure gap.** Limited access to high speed Internet in rural areas and to affordable housing in dynamic economic centres, as well as local infrastructure gaps in financially weak municipalities are holding back stronger and more inclusive growth. Pollution from transport and road congestion negatively affects human health and productivity.

- **Recommendations:** Further strengthen public investment in high-speed broadband networks and low-emission transport infrastructure. Improve housing supply in dynamic cities fostering densification in urban areas, for example with incentives for compact development on brownfield sites. Provide more support for good municipal investment projects, by strengthening administrative capacity, especially in municipalities burdened with high spending mandates.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Greece

GDP per capita is recovering from a deep and extended recession, but remains around half of that of the upper half of OECD countries. The gap in labour productivity is substantial. The employment rate is improving and a larger share of new jobs are full-time, but it remains low especially among the youth.

High poverty rates have declined slightly in recent years but income inequality remains above the OECD average. Greenhouse gas emissions per capita are below the OECD average and they have decreased since the crisis. Exposure to air pollution and poor waste management practices harm well-being.

Progress has been significant over the past two years across many reform priorities, notably in expanding and improving the effectiveness of the social protection system, strengthening revenue collection and public financial management, and easing product market regulations. A National Growth Strategy frames ongoing reforms to improve judicial processes, education quality, the public administration, management of state assets and reducing the regulatory burden.

Continuing to reduce regulatory burdens and improve administrative processes would address major impediments to investing and doing business in Greece. Improving the quality of all levels of education and better linking curricula with workplace needs would raise skills. Better support for poor households, while ensuring that new requirements that beneficiaries engage in effective active labour market programmes are implemented, would relieve Greece's high poverty rates and avoid poverty traps.

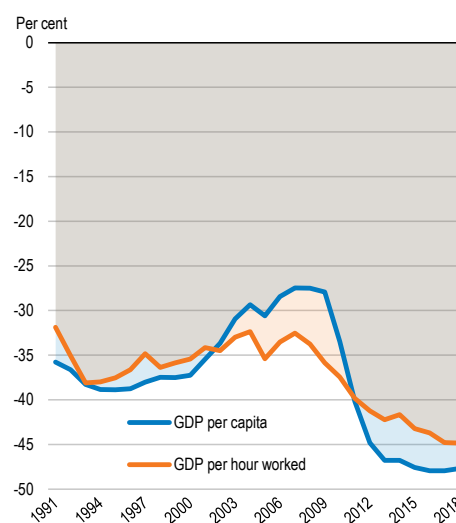
Growth performance, inequality and environment indicators: Greece

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 3.0 | 0.5 |
| Labour utilisation | 1.6 | 0.9 |
| of which: Labour force participation rate | 0.9 | -0.1 |
| Employment rate ¹ | 0.5 | 1.1 |
| Employment coefficient ² | 0.2 | -0.1 |
| Labour productivity | 1.7 | -0.4 |
| of which: Capital deepening | 0.5 | -0.5 |
| Total factor productivity | 1.2 | 0.0 |
| Dependency ratio | -0.4 | 0.0 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 33.3 (31.7)* | -0.3 (0)* |
| Share of national disposable income held by the poorest 20% | 6.7 (7.6)* | 0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 8.2 (10.9)* | 9.3 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.3 (0.3)* | 0.4 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.2 | 0.2 |

* OECD simple average (weighted average for emissions data)

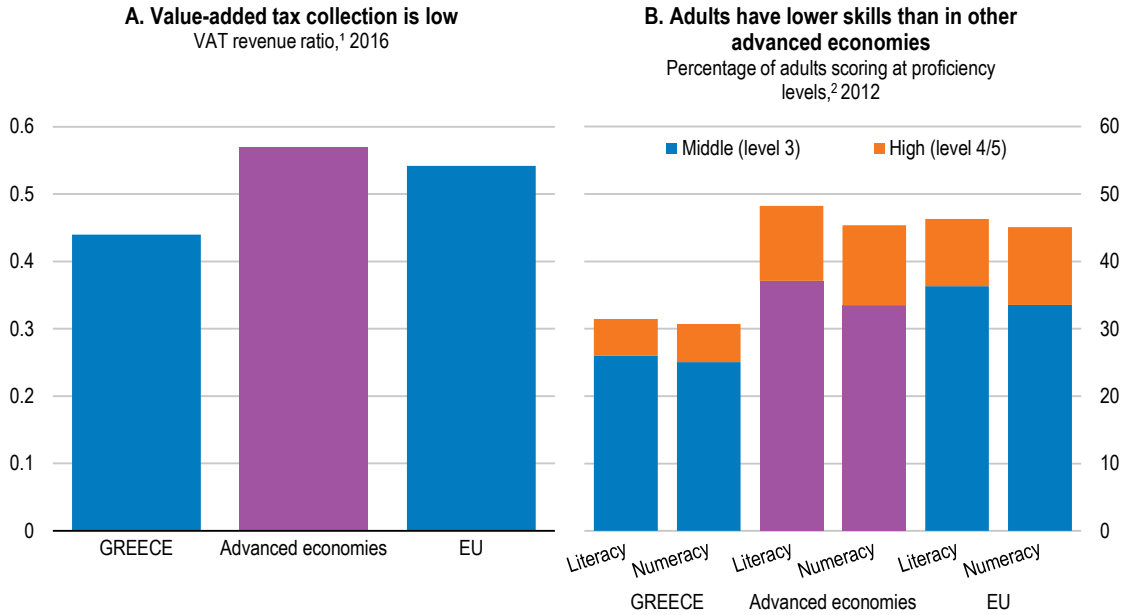
C. The gap in GDP per capita has stopped widening
Gap to the upper half of OECD countries⁵



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

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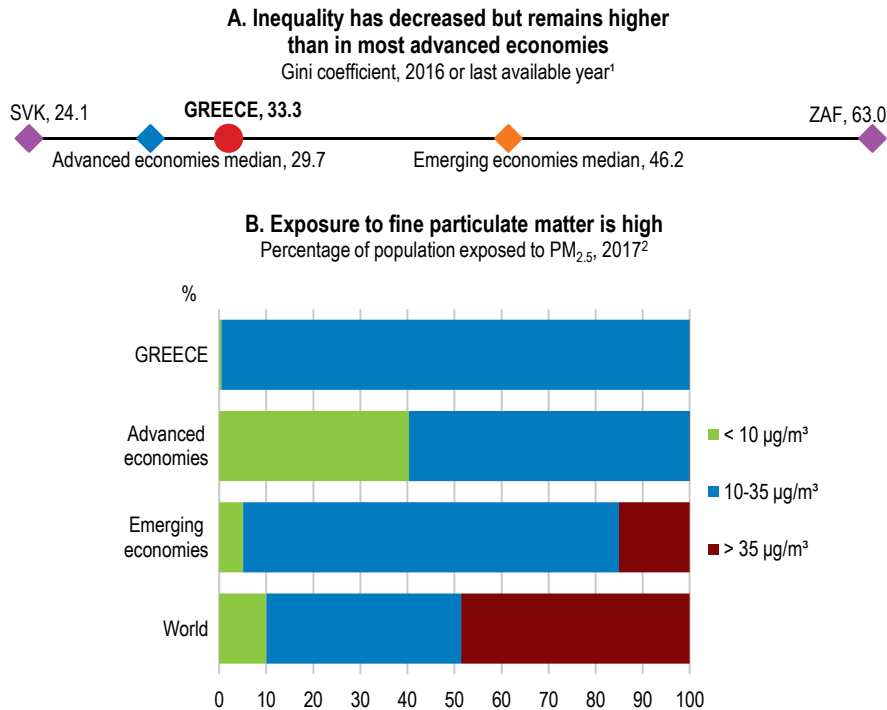
Policy indicators: Greece



Source: Panel A: OECD (2018), Consumption Tax Trends 2018: VAT/GST and Excise Rates, Trends and Policy Issues, Consumption Tax Trends; Panel B: OECD (2013), OECD Skills Outlook 2013: First Results from the Survey of Adult Skills and OECD (2016), Skills Matter: Further Results from the Survey of Adult Skills, OECD Skills Studies.

StatLink <https://doi.org/10.1787/888933955807>

Beyond GDP per capita: Greece



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956681>

Greece: *Going for Growth 2019* priorities

Continue to improve social protection targeting and administration. Poverty remains very high following the crisis and is becoming more entrenched, especially among families with children and those without work.

- **Actions taken:** Family benefits were reformed at the start of 2018 to better target lower income households. In 2018, a pilot school meal programme was rolled out and further expansion has been funded. A new housing support system targeted at lower income households was legislated in mid-2018 to start operating in 2019. Administration of disability allowances is being streamlined and pilot studies are trialing new assessment approaches, towards improving the accessibility and consistency of support. A new agency is coordinating social support and protection and labour market integration for refugees.
- **Recommendations:** Continue to rebalance social protection spending towards targeted programmes, while ensuring that eligibility criteria avoid creating poverty traps. Effectively link access to the social solidarity income support to participation in active labour market programmes. Develop in-work benefits to support low-income households that are in employment but earn very low incomes. Improve social protection administration by harmonising programme design and administration and the delivery of benefits. Consolidate smaller in-kind benefit programmes.

Enhance public administration efficiency. Inefficiencies in public administration and the justice system and the heavy regulatory burden hold back investment and the business environment.

- **Actions taken:** Administrative processes have been simplified in some areas, such as insolvency procedures, business creation and licensing. Assets in default are now auctioned electronically. Reforms of personnel management are progressing (e.g. new systems for staff mobility, for appointments, for performance management, and to limit political interference in senior staffing). A strategy to codify legislation is in place. The creation of a dedicated state asset management agency strengthened SOEs corporate governance.
- **Recommendations:** Simplify regulatory assessments and build a network of civil servants with regulatory quality expertise. Expand the scope of the silence is consent rule, *ex post* monitoring and one-stop shops. Ensure that one-stop shops have adequate resources to operate effectively. Launch a review of existing regulations to simplify processes and improve consistency. Establish a mechanism to systematically implement the recommendations of regulatory reviews. Expand the use of electronic platforms and tools in the justice system. Complete the land registry.

***Strengthening active labour market programmes.** Unemployment is declining from very high levels but is becoming increasingly long-term, while a large share of youth are inactive. Job-skill mismatch is high.

- **Recommendations:** Evaluate training programmes. Expand successful and cost-effective active labour market programmes, while reallocating resources from programmes that are less effective as part of the new framework for active labour market programmes. Certify the quality of professional and adult skill development courses and support their linking with labour market needs. Continue recent strengthening in the capacity of the public employment service to match jobseekers with positions through enhanced profiling tools and well-trained counsellors.

Enhance the efficiency and fairness of the tax system. Tax collections have improved and the tax-to-GDP ratio has increased. However, high tax rates are not matched by revenues, burdening activity and discouraging formalisation.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

- **Actions taken:** The 2018 budget eliminated some VAT exemptions over 2018. Efficiency and equity of business tax exemptions were reviewed in 2018. Audit fine rates were adjusted in January 2018. Property tax values are being aligned with market prices. New IT systems are automating debt collection.
- **Recommendations:** Improve revenue collection further ahead of implementing the rate cuts legislated for 2019 and 2020, by extending the use of risk analysis, targeted tax audits and strengthening the incentives for voluntary tax compliance. To continue increasing the share of non-cash transactions, extend and enforce the obligation of having an electronic cash register to all self-employed and introduce e-invoicing.

Improve the quality of education system. Average educational outcomes as measured by international tests are disappointing. Participation in vocational education and training (VET) remains modest, and tertiary education brings fewer benefits than in most other OECD countries.

- **Actions taken:** Legislation to extend compulsory early childhood education and care to 4 year olds was approved in January 2018. Legislation was adopted in 2018 for the evaluation of senior ministry of education staff, head teachers, and for school self-evaluations. VET and apprenticeship programmes are being upgraded.
- **Recommendations:** Continue to introduce assessment frameworks and professional development schemes; gradually give schools and teachers greater pedagogical and managerial autonomy, supported by professional development programmes. Develop regular and broad assessments of students' learning, supplemented by general aptitude tests that, in the medium-term, can replace the current university entrance exam. Regularise the supplementary teacher workforce in a manner that is fiscally sustainable and encourages effective teaching. Better connect vocational education with labour market needs and certify the quality of courses. Improve universities' institutional autonomy and incentives to improve teaching quality and to adapt courses to students' demands and workplaces' needs.

Hungary

The income gap with the upper half of OECD countries has closed somewhat, helped by rising employment. GDP per capita and GDP per hour worked are now close to two-thirds of the OECD average.

Inequality remains below the OECD average, though it has an important regional dimension. High concentrations of fine particles are resulting in adverse health impacts. Hungary's mortality rate due to air pollution exposure is among the highest in the OECD.

Modest recent administrative simplification includes a wider use of notification procedures of mergers and more than 50 entry qualification requirements for industry, commerce, tourism and catering were abolished. A large-scale training programme to reintegrate the long-term unemployed into the labour force has also been implemented. There are ongoing efforts to improve tertiary education outcomes by focusing on more labour-market relevant programmes.

Considerable scope for further improvements in the business environment remains, through administrative simplification and better use of regulatory impact assessment. Sector exemptions hamper competition, while the presumption of market power for larger companies deter entrepreneurial activity. Educational attainment and outcomes can be further improved and special attention should be given to improve the poor outcomes of Roma people. The tax wedge should be lowered by reducing the reliance on social security contributions and shifting the tax burden to less distortive taxes. The statutory retirement age is being raised in steps to 65 by 2022. Thereafter it should be linked to gains in life expectancy.

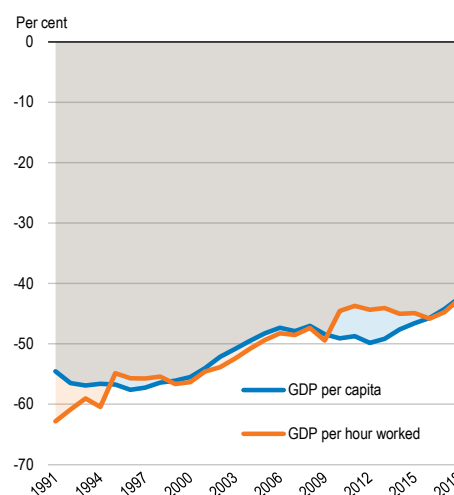
Growth performance, inequality and environment indicators: Hungary

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 3.2 | 3.8 |
| Labour utilisation | -0.4 | 3.1 |
| of which: Labour force participation rate | 0.3 | 1.8 |
| Employment rate ¹ | -0.4 | 1.3 |
| Employment coefficient ² | -0.4 | 0.0 |
| Labour productivity | 3.5 | 0.9 |
| of which: Capital deepening | 1.2 | -0.2 |
| Total factor productivity | 2.2 | 1.1 |
| Dependency ratio | 0.1 | -0.2 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2014 | 2012-14 |
| Gini coefficient ³ | 28.8 (31.7)* | -0.1 (0)* |
| Share of national disposable income held by the poorest 20% | 8.3 (7.6)* | 0 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 5.8 (10.9)* | 5.7 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.3 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.1 | 0.1 |

* OECD simple average (weighted average for emissions data)

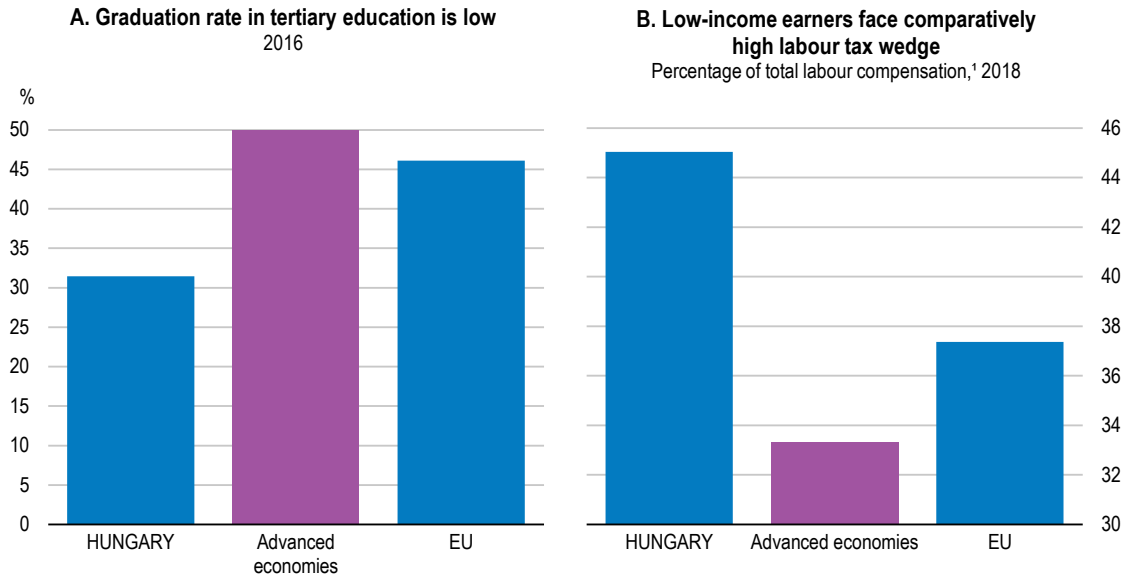
C. The large gap in GDP per capita is closing again
Gap to the upper half of OECD countries⁵



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

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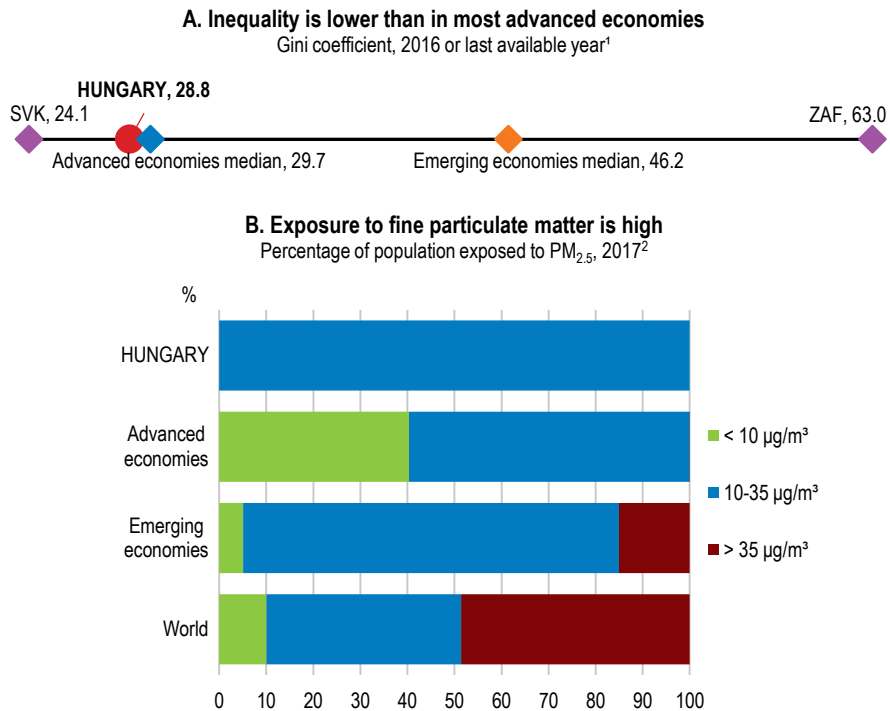
Policy indicators: Hungary



Source: Panel A: OECD, Education at a Glance Database; Panel B: OECD, Taxing Wages Database.

StatLink <https://doi.org/10.1787/888933955826>

Beyond GDP per capita: Hungary



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956700>

Hungary: *Going for Growth 2019* priorities

Ease administrative and insolvency procedures for businesses. Overly burdensome and frequently changing regulation, coupled with lengthy and opaque insolvency procedures, are hampering business investment and productivity growth.

- **Actions taken:** Some measures to simplify administrative procedures have been implemented, for example, electronic submission in civil courts for business matters. The competition authority intervened in several markets in 2017 to propose more competition friendly regulation.
- **Recommendations:** Implement regulatory impact assessment to ensure regulations do not unnecessarily hamper market entry and competition. Increase transparency in public policy formulation. The competition authority should systematically review new legislation for barriers to competition. Insolvency procedures should be streamlined and effective reorganisation proceedings put in place. The time before formal closure should be reduced and market exit facilitated.

Improve outcomes and equity in education. A steady decline in PISA scores, continued low graduation rates from tertiary education, poor vocational training outcomes and high drop-out rates are leading to skills-mismatches and hampering employment and productivity growth.

- **Actions taken:** A Digital Education Strategy for 2017-2020 has been adopted by the government to enhance digital literacy and usage, covering all levels of education from early school to adult learning.
- **Recommendations:** Extend the period of compulsory secondary schooling to enhance general skills and promote equity in outcomes. Develop key performance indicators for vocational training institutes and embed apprenticeships better into the mainstream education. Stimulate the collaboration between higher education institutions in strategic areas. Integrate the use of ICT technology across most subject matters. Extend support to disadvantaged students in tertiary education.

Increase work incentives for the elderly. The labour market participation and employment rates for workers over 55 years of age remain below the EU average. Only 53.6% of the 55-64 age group are working, and incentives to remain in the labour market have been scarce in the past.

- **Actions taken:** From 2019 social contribution taxes will no longer be charged for old-age pensioners who remain in the labour market, only the 15% personal income tax.
- **Recommendations:** The statutory retirement age should be indexed to gains in life expectancy. Improve lifelong learning on the job through introducing individual training accounts. Allow for part-time work while drawing a partial pension for the over-55s. Better targeted job-search assistance and monitoring should be systematically implemented for older unemployed workers.

Reduce the tax-wedge on labour income. The average tax-wedge remains relatively high in international comparisons, especially for low-income workers.

- **Actions taken:** Social security contributions were reduced for employers in 2017 and 2018, and will fall further in 2019, taking the total reduction to 9.5 percentage points since 2016. Families with two children will receive increased benefits in 2019.
- **Recommendations:** The tax wedge on low wages could be further reduced by the introduction of an employment tax credit that declines as wages increase and an increase in the tax-free threshold amount. Shift the focus of taxation to less distortive taxes such as car-fuel use and property or land taxes.

***Increase female labour market participation.** The participation rate for women after childbirth is very low by OECD standards, leaving out an important source of labour market supply and productivity growth.

- **Recommendations:** Continue to expand the availability of childcare facilities for children below the age of three, and align opening hours with working hours. Create a voucher system from the parental leave benefits towards the purchase of childcare services. This can stimulate private sector provision of childcare. Improve incentives for working mothers to return to the labour market, such as part-time employment, and promote paternity leave.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Iceland

GDP per capita is among the highest in the OECD, having recently surpassed pre-crisis levels. Growth has been driven by high employment growth and increasing labour force participation, while labour productivity is lagging and competitiveness is declining.

Inequality is among the lowest in the OECD and it has declined since the crisis as the income share of high-income households fell sharply. The gender gap is the lowest in the OECD. The natural environment provides plenty of renewable energy and spectacular tourist attractions. However, tourism is putting pressure on the environment. Pollution and greenhouse gas emissions per capita from transport are among the highest in the OECD.

The 2017 Going for Growth priority to strengthen the competition regime has been addressed partly and the remaining reform recommendations are now included in the priority to support entrepreneurship. The government undertook some reforms in other priority areas such as reducing overly long secondary education and lowering the income tax rate for low-income earners.

Stronger productivity growth and higher inclusiveness could be obtained by further removing disincentives from the tax and transfer system, by reducing support to agriculture and by better supporting entrepreneurship. Improving education outcomes would foster skills, productivity and inclusiveness. An economically, environmentally and socially viable tourism strategy would help to maximise the benefits from the tourism boom.

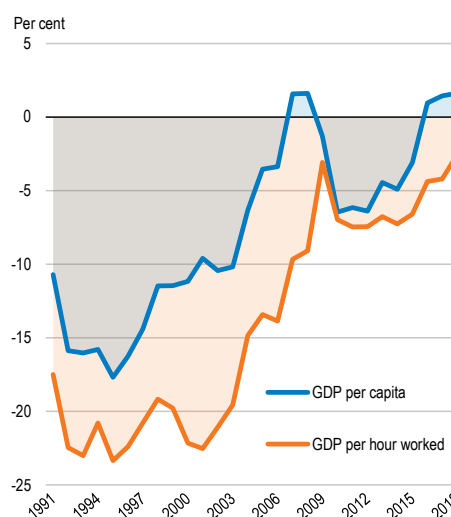
Growth performance, inequality and environment indicators: Iceland

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 3.7 | 3.1 |
| Labour utilisation | 0.2 | 1.3 |
| of which: Labour force participation rate | 0.2 | 0.8 |
| Employment rate ¹ | 0.0 | 0.6 |
| Employment coefficient ² | 0.0 | 0.0 |
| Labour productivity | 3.2 | 1.7 |
| of which: Capital deepening | 0.8 | -0.4 |
| Total factor productivity | 2.4 | 2.1 |
| Dependency ratio | 0.2 | 0.0 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2015 | 2013-15 |
| Gini coefficient ³ | 25.5 (31.7)* | 0.7 (0)* |
| Share of national disposable income held by the poorest 20% | 9.8 (7.6)* | -0.2 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 44.4 (10.9)* | 46 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 1 (0.3)* | 1.1 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.0 | 0.0 |

* OECD simple average (weighted average for emissions data)

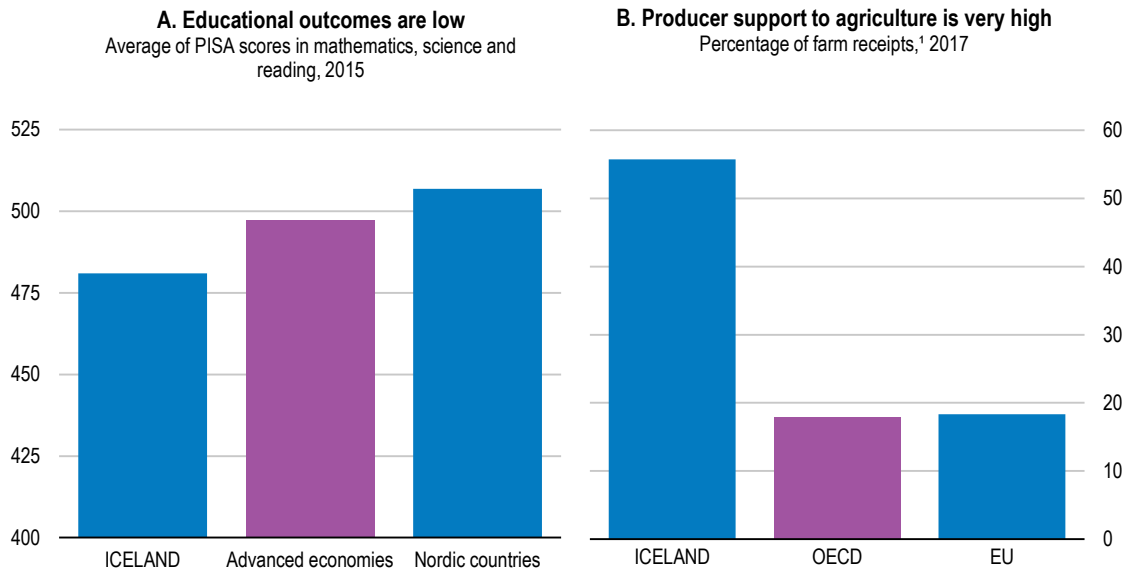
C. The gap in GDP per capita has closed
Gap to the upper half of OECD countries⁵



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink  <https://doi.org/10.1787/888933954971>

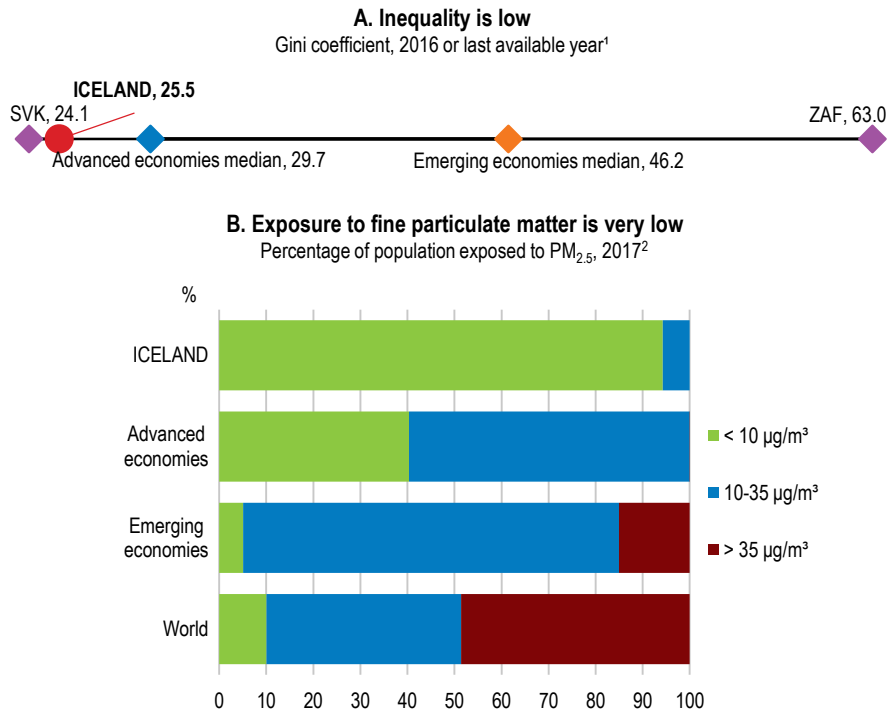
Policy indicators: Iceland



Source: Panel A: OECD, PISA Database; Panel B: OECD, Producer Support Estimate Database.

StatLink <https://doi.org/10.1787/888933955845>

Beyond GDP per capita: Iceland



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956719>

Iceland: *Going for Growth 2019* priorities

***Develop an economically, environmentally and socially viable tourism strategy.** Tourism has become Iceland's largest export sector as the number of visitors has quadrupled since 2010. While the tourism boom helped the economy to grow solidly, it starts weighing on the environment and on the society.

- **Recommendations:** Establish an inter-ministerial tourism strategy focused on making tourism environmentally, socially and economically sustainable. Remove current tax subsidies for tourism-related activities. Limit the number of visitors to fragile sites and introduce user fees to manage pressure on the environment.

Improve outcomes in education. Performance in the PISA tests has fallen over the past years despite high spending per student. Social and gender equity is high but immigrant students perform relatively poorly.

- **Actions taken:** The length of secondary education has been reduced.
- **Recommendations:** Strengthen the capacity of municipalities to manage and oversee primary education. Strengthen school accountability for education outcomes. Adjust curricula to improve performance in reading and mathematics. Increase effective teaching time and raise teacher quality in rural areas.

Remove disincentives to work coming from the tax and transfer system. Marginal tax rates are high, especially for low-income workers. Many young people are not in employment, education or training and disability rolls are rising.

- **Actions taken:** In 2017, the bottom income tax rate was reduced from 22.86% to 22.50%.
- **Recommendations:** Further reduce the duration of unemployment benefits and increase the period of work needed before a worker becomes eligible to receive benefits. Help people to retain attachment to the labour market by tightening eligibility for disability benefits and by providing support for disabled in employment.

Reduce producer support to agriculture. Agricultural support is high by international standards.

- **Actions taken:** No action taken.
- **Recommendations:** Reduce agricultural support by lowering tariffs and excise duties, abolishing quotas on agricultural products, reducing other forms of producer support and delinking it from production.

Support entrepreneurship. Iceland is less innovative than the Nordic peers. As its small size can constrain entrepreneurship and prevent firms from scaling up, the regulatory environment should be less restrictive and policies should do more to support innovation.

- **Actions taken:** No action taken.
- **Recommendations:** Strengthen competition policy by applying the OECD competition toolkit. Improve access to public procurement and remove restrictions on foreign membership on company boards. Support innovation, in particular by encouraging links between universities and firms. Ease access to funding further.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

India

Income per capita is growing fast, as productivity catches up, but remains well below both advanced and other major emerging-market economies. Women participation into the labour force is low while most workers are employed in low-productivity activities with no formal job contract and social insurance.

Absolute poverty has declined. However, inequality remains large, with wide dispersion in compensation packages and large rural/urban divide in access to public services. Air pollution is very high in many cities and water shortage is acute in some regions.

The ongoing subsidy reform promotes equity but the tax system redistributes little. The replacement of multiple indirect taxes levied by the states and central government by the Goods and Services Tax contributes to make India a single market, thus, raising competition and scale economies. Benchmarking states on the ease of doing business and quality of public services promotes the reform process.

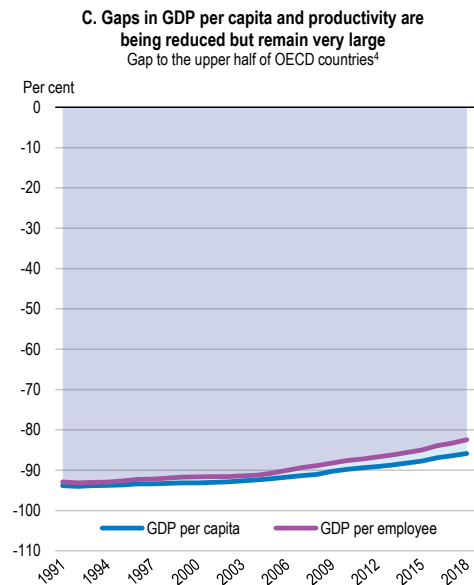
Reviving investment is key to boosting growth. This will require improving further the ease of doing business and bringing banks back to health. Investing more in education and training, combined with a modernisation of labour laws, would help creating more and better jobs. More investment in public services, such as health care and infrastructure is needed to provide all Indians with access.

Growth performance, inequality and environment indicators: India

| A. Growth | | |
|---------------------------------|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 5.5 | 6.0 |
| Labour utilisation ¹ | -0.5 | 0.3 |
| Labour productivity | 6.1 | 5.6 |

| B. Inequality and environment | | |
|---|----------------------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2011 | 2009-11 |
| Gini coefficient for rural areas ² | 31.1 | 0.6 |
| Gini coefficient for urban areas ² | 39 | -0.2 |
| | Average of levels 2010-2012-2015 | |
| GHG emissions per capita ³ (tonnes of CO ₂ equivalent) | 2.6 (12.3)* | 2.5 (12.8)* |
| GHG emissions per unit of GDP ³ (kg of CO ₂ equivalent per USD) | 0.5 (0.3)* | 0.5 (0.4)* |
| Share in global GHG emissions ³ (%) | 6.7 | 6.3 |

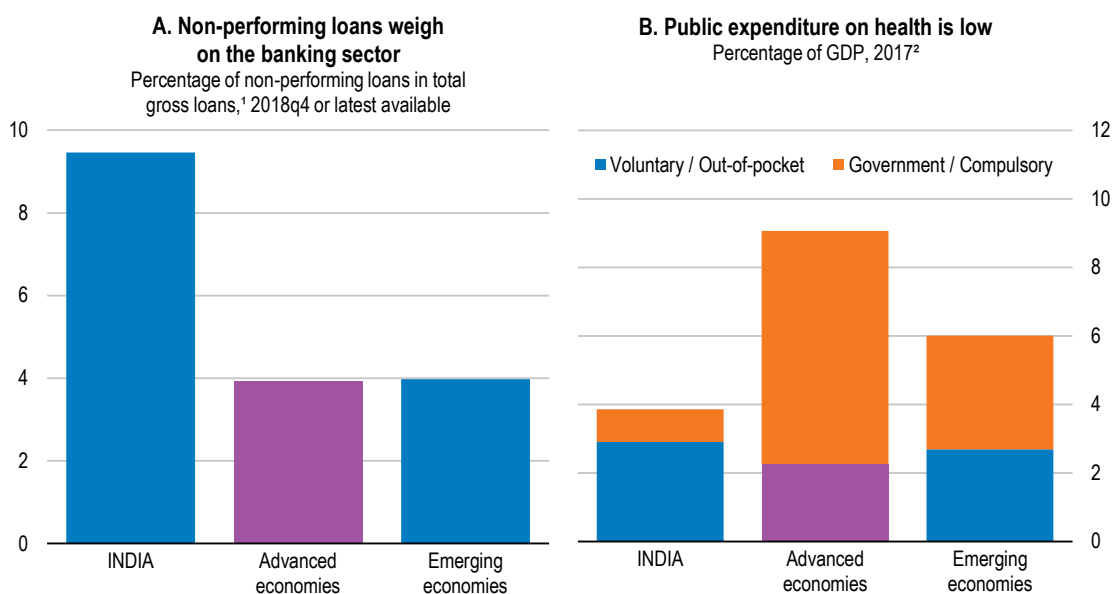
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook and Productivity Databases; Panel B: World Bank, PovcalNet; OECD, National Accounts Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Database.

StatLink  <https://doi.org/10.1787/888933954990>

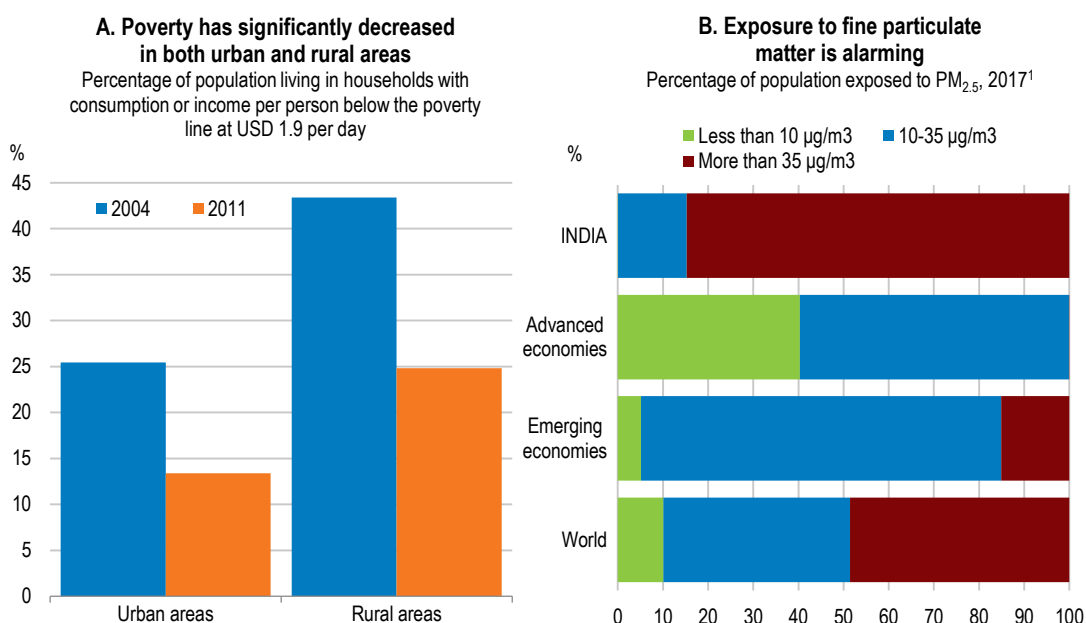
Policy indicators: India



Source: Panel A: International Monetary Fund (IMF), Financial Soundness Indicators Database; Panel B: OECD, Health Database.

StatLink  <https://doi.org/10.1787/888933955864>

Beyond GDP per capita: India



Source: Panel A: World Bank, PovcalNet; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink  <https://doi.org/10.1787/888933956738>

India: *Going for Growth 2019* priorities

Simplify and modernise labour laws to create more and better jobs for all. Growth has created little jobs and most existing jobs are not covered by labour laws and social insurance.

- **Actions taken:** Rules for fixed-term contracts were softened in 2018 and workers with fixed-term contracts were given access to the same social insurance benefits as permanent workers. Maternity leave was extended to 6 months and crèche facility was made mandatory for establishments with 50 or more employees. A National Career Service portal was launched in 2017 linking all employment exchanges of the country to facilitate posting of jobs and to provide employment related services (including career counselling and vocational guidance). Efforts to improve the quality and timeliness of employment data are going on.
- **Recommendations:** Reduce barriers to formal employment further by introducing a simpler and more flexible labour law, which does not discriminate by size of enterprise or gender. Foster competition among states in the ease of creating jobs. Produce timely data on employment to help design better policies.

Reduce administrative and regulatory burdens on business. Despite simplification efforts, regulations remain complex, making it difficult to start a business and forcing firms to stay below efficient size to avoid regulatory burdens.

- **Actions taken:** In 2017 the Goods and Services tax replaced a multiplicity of indirect taxes levied by states and the central government. The Insolvency and Bankruptcy Code was amended in 2017 and now provides a time-bound process to resolve insolvency of companies and individuals. Some cities also simplified the number of procedures for construction projects.
- **Recommendations:** Simplify further administrative and regulatory procedures. In particular, impose maximum timelines and “silent is consent” rules to regulatory approval processes and implement single-window clearance experiments more widely.

Enhance access to, and quality of, social infrastructure. Public spending on health and education is low, making it difficult for poor families to access quality services.

- **Actions taken:** Efforts to bring down the average number of pupils per classroom have continued. In 2018 the government launched a national health protection scheme to provide insurance coverage to 100 million poor families for secondary and tertiary care and envisages the creation of wellness and primary care centres. Efforts to achieve universal sanitation coverage have continued.
- **Recommendations:** Continue improving access to education, especially at the secondary level and improve the quality of education. Provide vocational training earlier in the curriculum. Train more doctors and nurses. Launch communication campaigns on lifestyle diseases, including those related to smoking and excess consumption of fat and sugar.

Pursue financial sector reforms. Bringing the banking system back to health is vital to support the recovery in investment.

- **Actions taken:** Efforts to speed up the recognition and resolution of non-performing loans and other stressed assets have been pursued. A large recapitalisation programme for public banks was launched in October 2017. Several public banks were merged in 2017.
- **Recommendations:** Improve the governance of public banks to avoid a new build-up of non-performing loans. Give public banks the ability to attract and retain talent, including through more freedom in setting employee compensation. Establish a plan to phase out priority lending.

Improve physical infrastructure and promote an efficient use of energy and water resources. Many households still do not have access to electricity and water sanitation while industrialisation and population growth will exacerbate demand pressures.

- **Actions taken:** Efforts to provide electricity access to all have continued with the last village electrified in 2018. A programme to provide “last-mile electricity connectivity” to all rural and urban households was launched in 2017.
- **Recommendations:** Upgrade electricity and water infrastructure and pursue efforts to provide access to all. Set energy and water prices high enough to cover economic costs for investors and replace price subsidies by better targeted household financial support. Rely more on road pricing and parking fees to restrain private car usage and reduce pollution.

Indonesia

GDP per capita has been growing steadily at around 4% annually, gradually narrowing the large gap with the upper half of OECD countries. Growth has continued to be driven by productivity growth.

Poverty rates have fallen steadily and income inequality appears to have moderated in recent years. Nonetheless, inequality is pronounced, in particular between regions. Greenhouse gas emissions are low per capita. Land use change is a major contributor to Indonesia's total emissions as well as biodiversity loss.

Considerable progress has been made in infrastructure provision, particularly transport. Efforts to streamline regulation and administrative processes have improved the business environment. While electricity subsidies have been reduced, fuel subsidies have increased, including by shifting some to state-owned enterprises. Electricity tariff regulations for independent power producers discourage private sector investment in renewable energy.

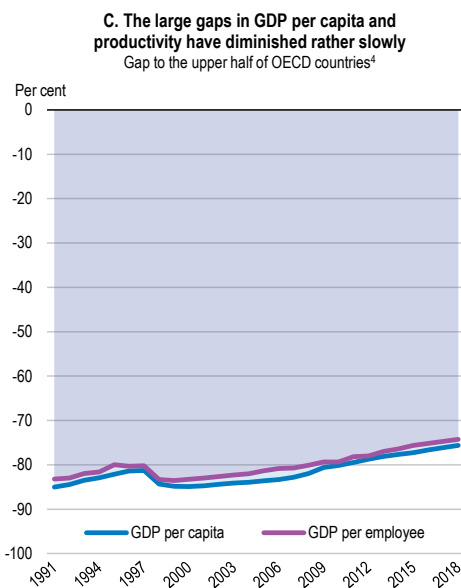
Tackling informality and increasing the share of high-quality formal sector jobs, requires measures such as improving skills by raising the quality of teaching and reducing barriers to formal sector employment such as high minimum wages and dismissal costs. Continuing to improve the quality of regulation and governance remains crucial for raising investment and encouraging formalisation. Greater regulatory certainty would help improve private sector participation in infrastructure investment.

Growth performance, inequality and environment indicators: Indonesia

| A. Growth | | |
|---------------------------------|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 4.0 | 3.8 |
| Labour utilisation ¹ | 0.4 | 0.3 |
| Labour productivity | 3.6 | 3.4 |

| B. Inequality and environment | | |
|---|-------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2018 | 2013-18 |
| Gini coefficient for rural areas ² | 32.2 | 0 |
| Gini coefficient for urban areas ² | 39.6 | -0.6 |
| | 2015 | Average of levels 2010-2012-2015 |
| GHG emissions per capita ³ (tonnes of CO ₂ equivalent) | 3.7 (12.3)* | 3.5 (12.8)* |
| GHG emissions per unit of GDP ³ (kg of CO ₂ equivalent per USD) | 0.4 (0.3)* | 0.4 (0.4)* |
| Share in global GHG emissions ³ (%) | 1.9 | 1.8 |

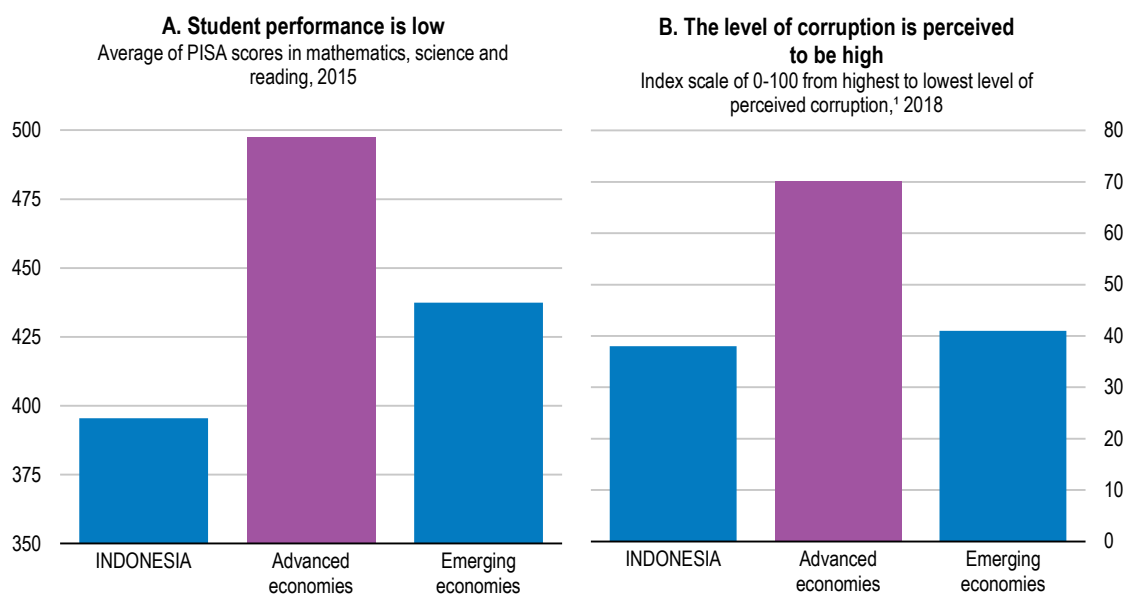
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook and Productivity Databases; Panel B: Statistics Indonesia; OECD, Income Distribution and National Accounts Databases; International Energy Agency (IEA), Energy Database; Panel C: OECD, Economic Outlook and Productivity Databases.

StatLink  <https://doi.org/10.1787/888933955009>

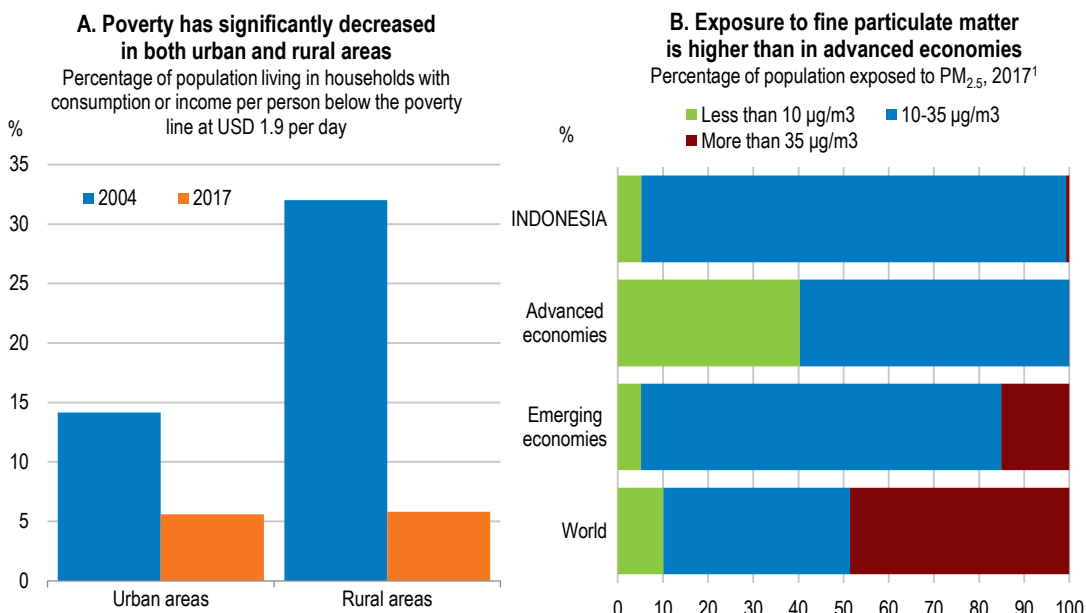
Policy indicators: Indonesia



Source: Panel A: OECD, PISA Database; Panel B: Transparency International Database on Corruption Perceptions.

StatLink <https://doi.org/10.1787/888933955883>

Beyond GDP per capita: Indonesia



Source: Panel A: World Bank, PovcalNet; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956757>

Indonesia: *Going for Growth 2019* priorities

Enhance outcomes in education. Outcomes and teaching quality remain a concern, with many children leaving school without basic skills.

- **Actions taken:** Programmes to improve teacher qualifications through certification and training are ongoing. The government is using the national poverty database to improve the targeting of conditional cash transfers to facilitate school attendance for children from poor households. The revised 2018 budget targeted 19.7 million transfer recipients.
- **Recommendations:** Introduce regular teacher assessment and link teacher remuneration more closely to performance and ongoing training. Continue to encourage higher enrolment rates through access to cash transfers for eligible students. Increase employer engagement in vocational education.

Improve the regulatory environment for infrastructure. Regulatory uncertainty, particularly at the regional level, is hampering private investment in infrastructure via public-private partnerships.

- **Actions taken:** The government increased funding for land acquisition in 2017 and 2018 to remove obstacles to key infrastructure projects.
- **Recommendations:** To increase private sector involvement, legal and regulatory certainty should be improved, including through clearer property rights and project documentation for public-private partnerships. Increasing the transparency of state-owned enterprises could help ensure they do not crowd out private investment. Sub-national governments should be encouraged to allocate more of their budget to infrastructure spending.

Reform labour regulations to reduce informality. Labour informality is high, excluding workers from access to employment protection, on-the-job training and social security coverage.

- **Actions taken:** No action taken.
- **Recommendations:** Pilot lower levels of employment protection and discounted minimum wages for youth in special economic zones. This includes lowering severance pay, accompanied by the creation of unemployment insurance accounts. If these trials are successful, extend them. Reduce administrative burdens for self-employed workers and micro enterprises to encourage formality.

Continue to make energy prices more cost-reflective. Explicit and implicit subsidies are poorly targeted. They encourage consumption, increase greenhouse-gas emissions, and are costly. Electricity tariff regulations discourage private investment in renewable energy generation.

- **Actions taken:** Electricity subsidies were reduced for non-poor households in 2017. However, spending on fuel subsidies increased in 2018 and the administratively set price of the previously subsidised fuel was held constant despite rising international oil prices.
- **Recommendations:** Continue to shift away from subsidies and towards more targeted social assistance to address distributional concerns. Allow fuel prices to move more with prices in international markets. Review the 2017 regulations determining tariffs for independent power producers with the aim of making prices more cost-reflective and increasing certainty for investors.

Ease barriers to entrepreneurship and investment, and strengthen institutions to fight corruption.

Businesses, foreign and domestic, face significant barriers to both formation and operation. Corruption remains an impediment to business growth and the efficient functioning of the civil service.

- **Actions taken:** Central government licensing processes were eased in 2017 and 2018, including through the operation of one-stop shops for large investors that process licences in three hours, the launch of an online single submission system for licensing and by striking out large numbers of regulations in some sectors. In 2018 a regulation was passed to ease the administrative process for hiring foreign workers.
- **Recommendations:** Continue to streamline and simplify business regulation, paying special attention to regulations in sub-national jurisdictions. Collect user feedback to improve the online single submission system. Ease barriers to foreign investment by removing sectors from the Negative Investment List. Sustain the fight against corruption, including by increasing resources to the Corruption Eradication Commission and vigorously defending its independence.

Ireland

GDP per capita is among the highest in the OECD, though this is partly due to the activities of multinational enterprises (MNEs) upwardly influencing GDP. Excluding these activities, GDP per capita was still above the average of the upper half of OECD countries. Strong post-crisis labour productivity growth has largely relied on MNEs. Both employment and working hours have recovered in recent years but remain below the pre-crisis level.

Inequality in household disposable income is below the OECD average. Ireland's income redistribution system reduces market income inequality by the largest margin in the OECD, essentially through well-targeted social benefits in particular toward the poorest of the population. Greenhouse gas emissions per capita remain well above the OECD average.

Good progress has been achieved on all 2017 priorities. Notably, the Integrated Licence Application Service reduces significantly the complexity of regulatory procedures. The Legal Services Regulation Act, if fully implemented, will enhance competition and increase transparency in legal services.

Fostering innovation and removing barriers to entrepreneurship and competition would encourage a more dynamic and cost-competitive domestic business sector, making economic growth more sustainable. Enhancing activation policies and revamping the welfare and tax system to get more people back to work would help both employment growth and social cohesion.

Growth performance, inequality and environment indicators: Ireland

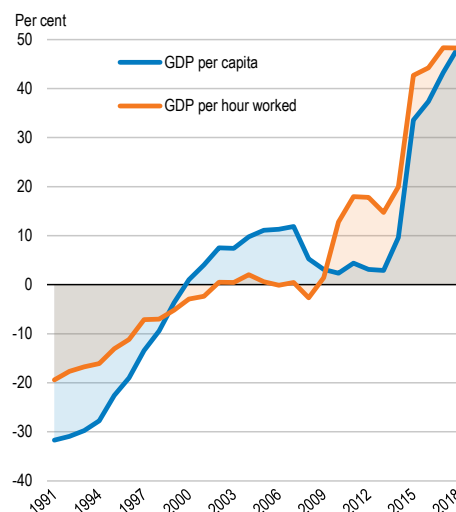
| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.2 | 7.7 |
| Labour utilisation | 0.7 | 2.5 |
| of which: Labour force participation rate | 0.9 | 0.5 |
| Employment rate ¹ | -0.4 | 1.8 |
| Employment coefficient ² | 0.1 | 0.1 |
| Labour productivity | 0.4 | 5.4 |
| of which: Capital deepening | 1.3 | 3.0 |
| Total factor productivity | -0.9 | 2.4 |
| Dependency ratio | 0.1 | -0.3 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2015 | 2013-15 |
| Gini coefficient ³ | 29.7 (31.7)* | -0.5 (0)* |
| Share of national disposable income held by the poorest 20% | 8.4 (7.6)* | 0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 14 (10.9)* | 13.8 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.3 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.1 | 0.1 |

* OECD simple average (weighted average for emissions data)

C. GDP per capita is among the highest in the OECD

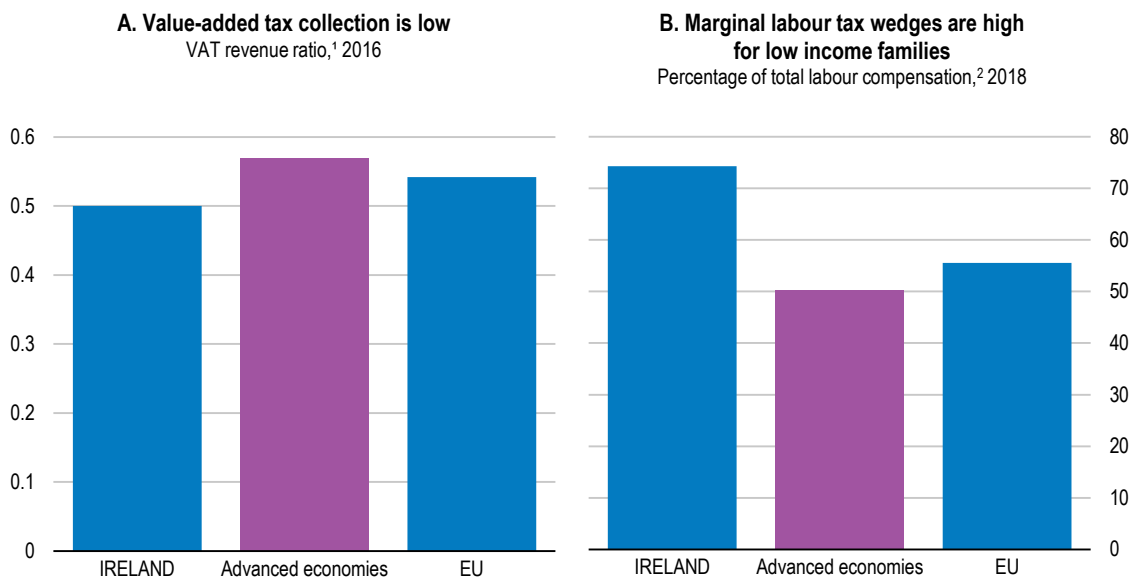
Gap to the upper half of OECD countries⁵



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink  <https://doi.org/10.1787/888933955028>

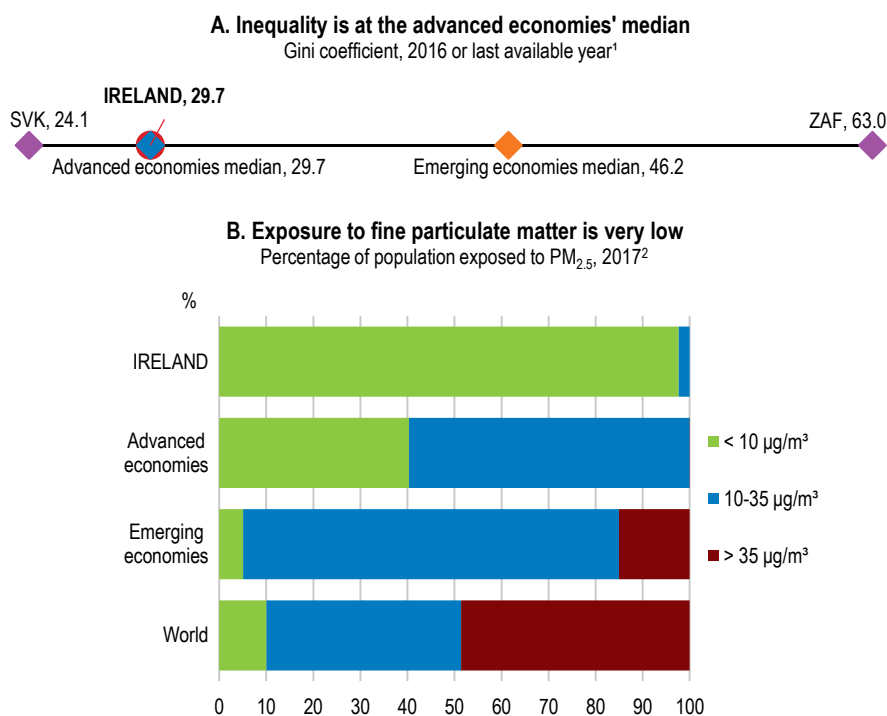
Policy indicators: Ireland



Source: Panel A: OECD (2018), Consumption Tax Trends 2018: VAT/GST and Excise Rates, Trends and Policy Issues, Consumption Tax Trends; Panel B: OECD, Taxing Wages Database.

StatLink  <https://doi.org/10.1787/888933955902>

Beyond GDP per capita: Ireland



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink  <https://doi.org/10.1787/888933956776>

Ireland: *Going for Growth 2019* priorities

Enhancing activation policies. The employment rate remains low, in particular among the less-well educated, which should be addressed by effective labour market programmes.

- **Actions taken:** SOLAS – the agency in charge of Further Education and Training – has been strengthening training programmes along with the Further Education and Training Strategy 2014-2019, with a focus on providing fundamental skills to hard-to-place unemployed people. The agency is developing the Programme and Learner Support System, which will collect data on the beneficiaries in order to monitor how they progress after the programme.
- **Recommendations:** Continue the strategy of profiling unemployed people and of evaluating programmes. Increase resources to the programmes that are found to be effective, making full use of the new information system for training programmes. Enforce the obligations of the unemployed effectively, by defining more specifically the wage and contract types of the suitable job offer the beneficiaries have to accept.

Reform the tax and welfare system. The share of low-income households remaining inactive is high, due to the high average effective tax rates and high childcare costs. Addressing some aspects of Ireland's tax system which both narrow the tax base and distort the efficient allocation of resources would improve public finances.

- **Actions taken:** The Housing Assistance Payment (HAP) was expanded in early 2017, allowing the beneficiaries to work full-time and to keep their housing support. Marginal tax rates for low-paid workers were somewhat alleviated by reducing the Universal Social Charge – an income levy funding the social security system – over the past two years.
- **Recommendations:** Make all social benefits conditional on earnings, not employment status, and withdraw them more gradually as earnings rise. Ensure the introduction of the Single Affordable Childcare Scheme. Reduce the number of VAT rates. Reassess property values more regularly for the purposes of calculating local property tax.

Strengthen competition in non-manufacturing sectors. Competition in some service sectors including utilities, transport, the legal profession and ports remains relatively weak, hindering the growth of young and innovative firms.

- **Actions taken:** A number of actions to enhance competition prescribed in the 2015 Legal Services Regulations Act were adopted in 2018, such as the introduction of limited liability partnerships.
- **Recommendations:** Improve competition among the legal professions, including through the creation of multi-disciplinary practices and the introduction of the profession of conveyancer. Shorten lease periods for port terminal operators and issue more stevedoring licences.

Enhance R&D spending and innovation. Research and development capacity of local firms is weak, reducing their ability to innovate and hampering the diffusion of new technologies. Public support for business research and development is heavily skewed towards tax incentives.

- **Actions taken:** A number of actions in Innovation 2020, including public investment programmes to support enterprise R&D, have been initiated since its launch in December 2015 and continue to progress.
- **Recommendations:** Rebalance innovation support toward direct grants. Continue the strategy of building up fewer, larger academic research centres, and ensure strong linkages with firms, including MNEs.

Reduce barriers to entrepreneurship. Entrepreneurial activity, as measured by entry and exit rates, is low. The regulation of licence and permits required to start and operate a business is relatively restrictive, while costs of business failure are high.

- **Actions taken:** The Integrated Licence Application Service (ILAS), launched in early 2016, has been developed, enabling businesses to apply for, renew and pay for licences provided through this on-line system.
- **Recommendations:** Reduce the administrative burden to obtain permits and licences for start-ups by fully developing the ILAS, including achieving a full up-take. Reduce the price of construction permits and registration of property charged by the relevant authorities. Introduce guidelines for banks that specify circumstances under which personal guarantees from business owners should not be sought.

Israel

The improvement in employment performance and labour utilisation has continued, albeit at a slower pace. The gap in per capita GDP with respect to the upper half of OECD countries did not decline in the last decade due to weak productivity growth.

Inequalities have edged down since 2007, thanks to higher employment rates among Israeli-Arabs and the Haredim, but poverty remains widespread among these disadvantaged groups. Greenhouse gas emissions have declined, but population exposure to air pollution is increasing as air quality is well below the OECD average.

Product market competition has progressed with increased openness to parallel imports and cuts in customs duties, further reduction of entry barriers in the banking sector and the launch of an electricity market reform. The access to earned income tax credits has been widened to foster employment and lower poverty for working couples. Steps have been taken to strengthen investment, planning and monitoring of public transport infrastructure.

Enhancing skills of and employment opportunities for disadvantaged groups, better transport infrastructure and further product market reforms and boosting productivity are crucial for making growth stronger and more inclusive.

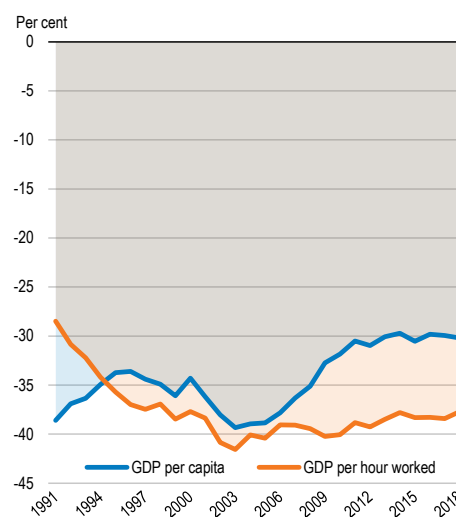
Growth performance, inequality and environment indicators: Israel

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 2.3 | 1.7 |
| Labour utilisation | 0.9 | 0.5 |
| of which: Labour force participation rate | 0.5 | 0.1 |
| Employment rate ¹ | 0.9 | 0.5 |
| Employment coefficient ² | -0.5 | -0.1 |
| Labour productivity | 1.4 | 1.2 |
| of which: Capital deepening | 0.0 | 0.2 |
| Total factor productivity | 1.4 | 0.9 |
| Dependency ratio | 0.0 | 0.0 |

| B. Inequality and environment | | |
|---|--------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2017 | 2013-17 |
| Gini coefficient ³ | 34.4 (31.7)* | -0.4 (0)* |
| Share of national disposable income held by the poorest 20% | 6.2 (7.6)* | 0.2 (0)* |
| | | Average of levels |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 9.4 (10.9)* | 9.9 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.3 (0.3)* | 0.3 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.2 | 0.2 |

* OECD simple average (weighted average for emissions data)

C. The gap in productivity has remained stable
Gap to the upper half of OECD countries⁵

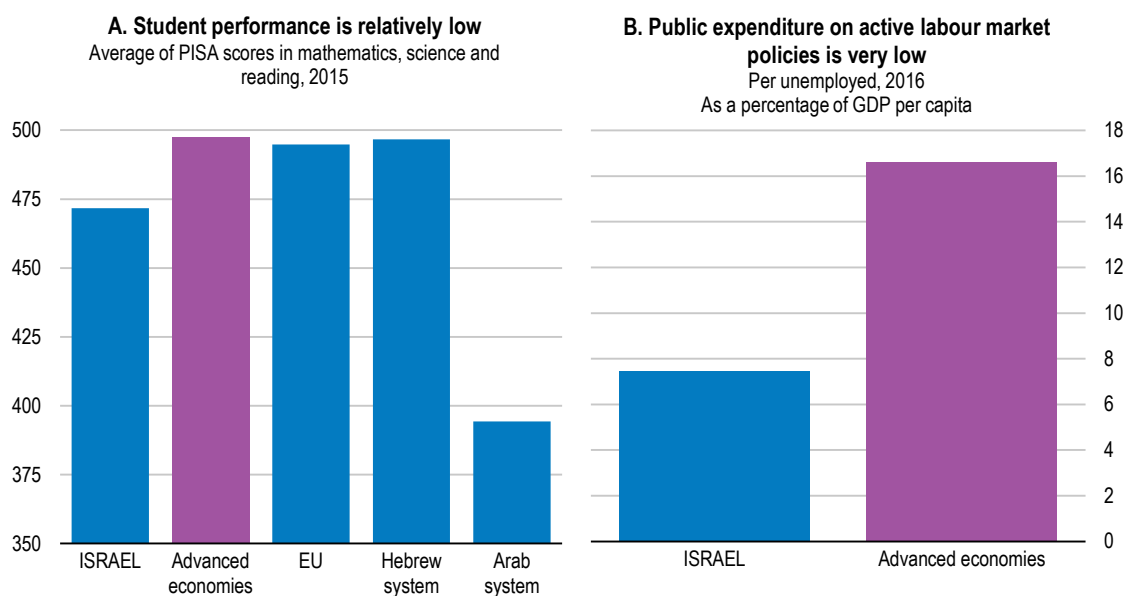


Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink  <https://doi.org/10.1787/888933955047>

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

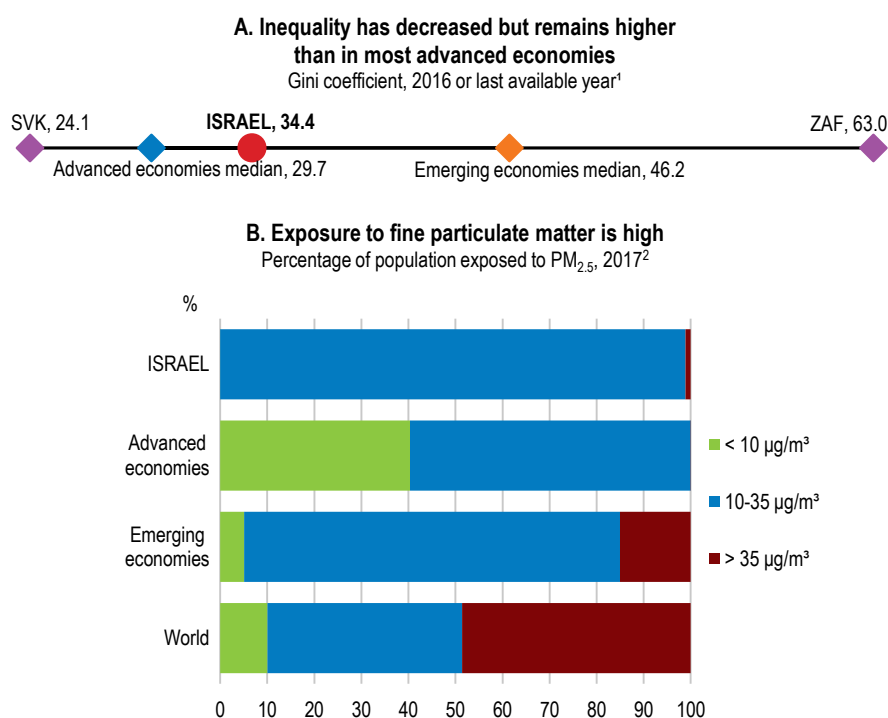
Policy indicators: Israel



Source: Panel A: PISA Database; Panel B: OECD, Public expenditure and participant stocks on LMP and Economic Outlook Databases.

StatLink <https://doi.org/10.1787/88893395921>

Beyond GDP per capita: Israel



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956795>

Israel: *Going for Growth 2019* priorities

Improve education outcomes for disadvantaged groups. Student outcomes differ markedly between communities, which contribute to high social and economic segregation.

- **Actions taken:** Since 2016/2017 school year, the number of hours dedicated to teaching Hebrew has been expanded from four to five hours a week for Arab students in grade 3-9. In a pilot project Hebrew language will be taught in some 120 Arab kindergartens for 2 hours a week.
- **Recommendations:** Further expand Hebrew courses in Arab schools. Make funding to the Haredi stream conditional on an increase in core subjects in the curriculum with closer monitoring and testing. Develop work-based learning in the initial vocational and training programmes in coordination with industry partners to enhance their quality.

Lower trade protection and reduce regulatory burdens. Foreign trade openness and competition remain weak and businesses suffer from excessive bureaucracy.

- **Actions taken:** In 2018 exposure to parallel imports via the Internet has been increased and import tariffs reduced on several products, including foodstuffs. The bureaucratic cost of phytosanitary and veterinary controls of imports has also been cut.
- **Recommendations:** Further reduce import barriers replacing them with more post-market surveillance of imported goods and wider use of “trusted traders” systems and targeted controls. Introduce a “silence-is-consent” rule, where appropriate, to lower administrative burdens and promote online procedures for business licensing and paying taxes.

Further enhance product market competition. Competition remains weak in many services sectors and the entire food chain, contributing to the high cost of living.

- **Actions taken:** In June 2018 the government approved the dismantling of the Israel Electricity Company's monopoly and privatisation of about 40% of its production capacity. Banking competition has been strengthened by the separation of credit card firms from the two main banks in 2018 and the creation of a central credit register accessible to all banks.
- **Recommendations:** Replace agricultural quotas and tariffs with direct transfers to farmers. Further cut non-tariff barriers on staples by extending the use of EU health rules for “non-sensitive” products to “sensitive” products such as dairy, eggs and meat, which represent half of all imported foodstuffs. Improve transparency and efficiency of the implementation of the religious dietary code of kashrut.

Strengthen active labour market policies to boost employment integration. Resources for public employment services and active labour market policies, especially training, are low.

- **Actions taken:** The 2019 budget increased the earned income tax credit for men to the level of women, with stronger incentives for labour market participation of both spouses.
- **Recommendations:** Strengthen the assessment of existing training programmes and expand their use, focusing on low-skilled workers, including individuals already in work, especially from disadvantaged groups who are less likely to receive training.

Develop public transport. Partly due to past underinvestment, Israel has a large infrastructure deficit in public transport, which causes considerable road congestion and poor air quality.

- **Actions taken:** In the last two years over 50% of government investment in transport has concerned public transport. A high-speed train will open shortly between Jerusalem and Tel Aviv. Light rail systems will be built in the three main Israeli cities by 2023, with an inter-ministerial committee created in mid-2017 to improve infrastructure planning and monitoring.
- **Recommendations:** Promote road tolls to foster user funding for infrastructure. Shift car taxes substantially from ownership to vehicle use to reduce pollution. Introduce systematic publication of cost-benefit analyses of projects, with mandatory justification of policy-makers' choices.

Italy

Italy's GDP is recovering slowly and output per capita remains about 70% of the upper half of OECD countries. Rising activity has increased employment but most of the new jobs are temporary. Labour force participation has converged towards OECD average, but this is slowing the decline in unemployment. Still, unemployment remains high especially among younger workers. Private investment is expanding solidly, supported by tax incentives and reviving bank lending.

Income inequality and poverty rates rose sharply during the recession and remain high. The rise in poverty especially affected families with children, and in some regions material deprivation rates are very high. Greenhouse gas emissions are below the OECD average, but population exposure to air pollution is high.

Over the past two years, reform progress has been significant. Poor households now have access to a guaranteed minimum income, conditional on using public employment and other social services that however need to be strengthened. Education reforms has linked school curricula with workplace experience. Social security contributions for young workers have been cut. The whistle-blower reform is a further step to strengthen anti-corruption activities.

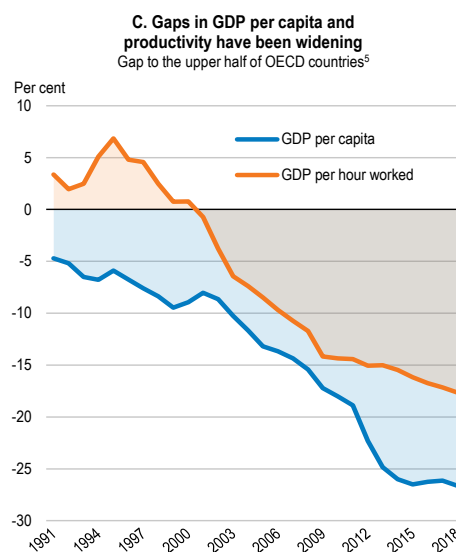
Low infrastructure quality, the regulatory burden, tax and public administration inefficiencies detract from the investment climate. The new procurement code is well thought out but its novelty and the lack of implementing regulation have delayed its full implementation, hindering public investment. Building effective vocational and education training and adult skill programmes would help reduce the high share of young not in employment or education and better match workers' skills with the evolving workplace.

Growth performance, inequality and environment indicators: Italy

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 0.2 | 0.4 |
| Labour utilisation | 0.6 | 0.4 |
| of which: Labour force participation rate | 0.0 | 0.6 |
| Employment rate ¹ | 0.3 | 0.0 |
| Employment coefficient ² | 0.4 | -0.1 |
| Labour productivity | -0.2 | 0.1 |
| of which: Capital deepening | 0.3 | -0.3 |
| Total factor productivity | -0.5 | 0.4 |
| Dependency ratio | -0.2 | -0.1 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 32.8 (31.7)* | 0.1 (0)* |
| Share of national disposable income held by the poorest 20% | 6.6 (7.6)* | 0 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 6.6 (10.9)* | 7.1 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.2 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.9 | 1.0 |

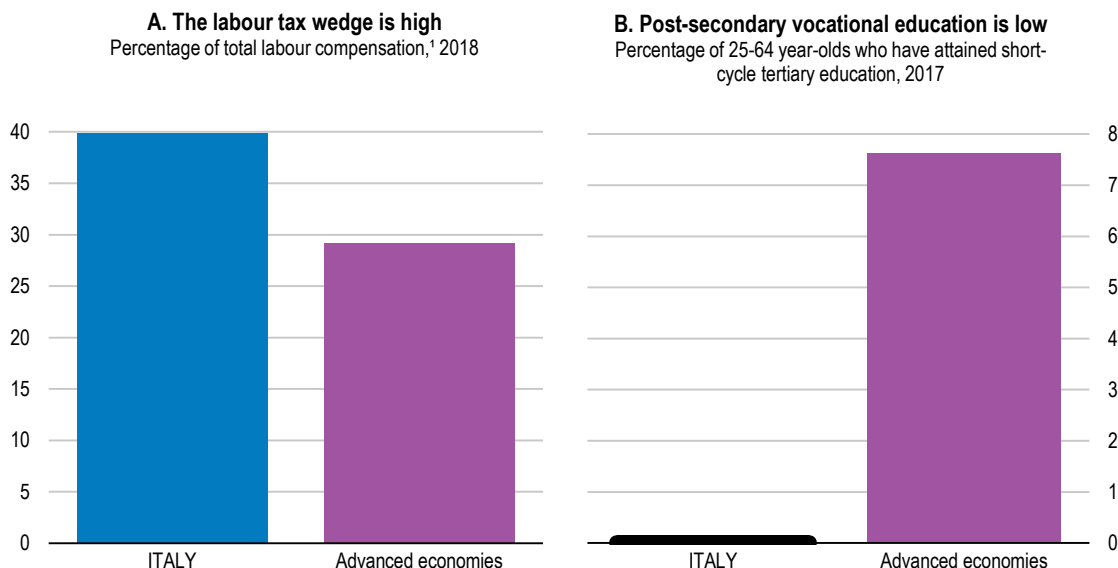
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

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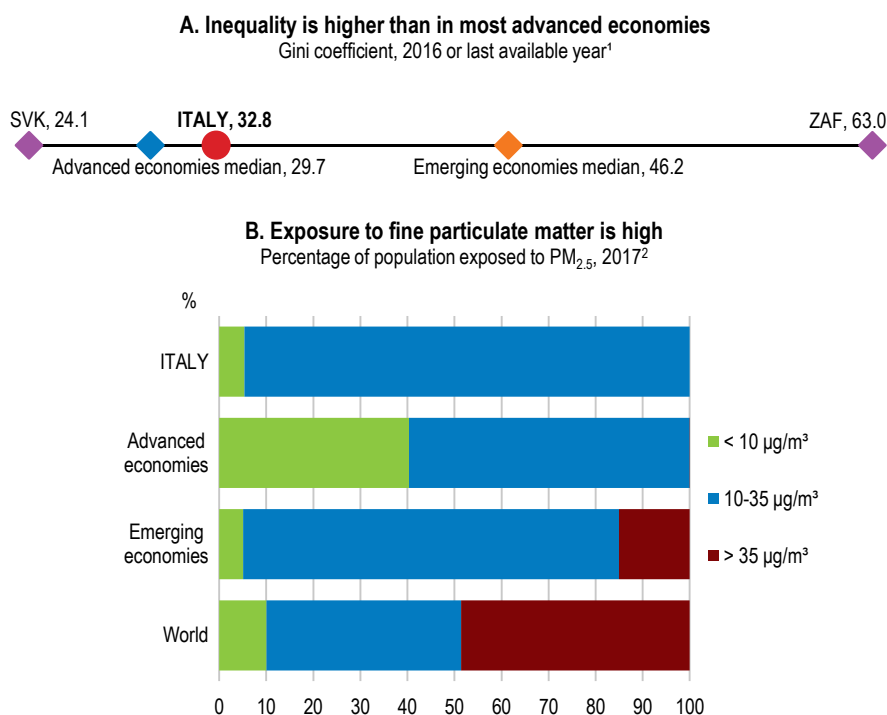
Policy indicators: Italy



Source: Panel A: OECD, Taxing Wages Database; Panel B: OECD, Education at a Glance Database.

StatLink  <https://doi.org/10.1787/888933955940>

Beyond GDP per capita: Italy



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink  <https://doi.org/10.1787/888933956814>

Italy: *Going for Growth 2019* priorities

Improve the efficiency of the public administration and bolster the rule of law. Public administration inefficiency and regulatory burdens weigh on doing business, well-being and fairness in the society.

- **Actions taken:** The wide-ranging public administration reform has been implemented whereas the rationalisation of local utilities is still ongoing. In 2018, the government allocated funds to establish a new agency to ensure the correct implementation of public administration reforms and combat absenteeism. A government agency (INAPP) has been tasked with the systematic evaluation of labour and education policies. Legislation protecting whistle-blowers has been introduced and implemented in 2017. The penal code was reformed in 2017, including lengthening the statute of limitations. An enabling law to reform insolvency procedures was approved in 2017.
- **Recommendations:** Continue the rationalisation of local utilities and open up local public services to competition as planned. Use regulatory impact assessment more extensively and strengthen stakeholder engagement for improving regulation. Reform the bankruptcy legislation following the principles set in the 2017 enabling law. Continue to extend the use of digital tools in the public administration; establish a system to systematically identify and spread best practices across the public administration.

Improve the efficiency and equity of the tax structure. The labour tax wedge is high and the tax code is over-complicated, weakening work incentives and abetting informality and tax evasion.

- **Actions taken:** In 2017, the additional tax receipts due to fighting tax evasion amounted to EUR 1 billion compared with 2016 (EUR 7 billion compared with 2013). The e-invoicing system for business transactions is ready and will enter into force in early 2019. In 2018, the government introduced different incentives to encourage hiring, especially of young workers in southern regions, which will enter into force in 2019. The process of updated land-registry values is still ongoing.
- **Recommendations:** Continue to fight against tax evasion through higher investment in IT systems and better human resource management in tax collection agencies as well as lowering the threshold for cash payments. Consolidate all hiring incentives into a permanent cut in social security contributions for the first 3 years to all new permanent contracts. Expedite the updating of land-registry values and re-establish taxation on primary residence with exemptions for low-income households.

***Strengthen apprenticeships, vocational education, training courses and lifelong learning.** A large share of young people is neither in education nor in employment and many workers lack the skills sought by employers. The lifelong learning system is fragmented and underdeveloped.

- **Recommendations:** Increase the education content of apprenticeships and set and enforce quality standards. Scale up, as planned, the post-secondary vocational education and training system with the involvement of businesses based on the example of the *Instituti Tecnici Superiori* (ITS). Ensure the new vocational university degrees complement rather than overlap with ITS. Develop a national framework on lifelong learning to help local authorities in lagging regions to align courses and practices with best practices.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Promote higher and better quality public investment and improve infrastructure management.

Public investment remains low, infrastructure management is opaque and projects are often of poor quality, holding back growth and well-being.

- **Actions taken:** The anti-corruption agency (ANAC) has been gradually issuing the necessary implementing regulations of the new Public Procurement code and offering local authorities extensive support on public tenders. In 2018, the economic and investment plans of all road concessions have been declassified and made public. The 2019 budget plans to establish a central public investment unit to enhance capacity at central and local levels in infrastructure management and project selection.
- **Recommendations:** Support ANAC in its activities relating to the implementation of the new Public Procurement Code and ensure it has the resources and capacity to perform its wide-ranging tasks. Consider simplifying the most complex aspects of the new Public Procurement Code without weakening measures to prevent corruption. Grant the management of all road concessions to the Transport Regulatory Authority. Use cost-benefit analyses more extensively in project design and selection and make their results public.

Enhance employment services and activation policies. Spending on activation policies is low and their effectiveness varies greatly across regions.

- **Actions taken:** The new agency (ANPAL) for coordinating active labour market policies across regions has been operational since 2017. The minimum levels of services related to job-search and training programmes have been set in 2017. A pilot programme testing the training voucher system for those receiving unemployment benefits begun in 2017 and is ongoing. The inclusive income scheme (REI) conditional on participation in activation programmes was rolled out nationally in 2018 but will be replaced with a new and more generous guaranteed minimum income scheme (Citizen's Income). In 2018, EUR 1 billion per year were allocated for 2019 and 2020 to revamp public employment services.
- **Recommendations:** Enhance job-search and training programmes and enforce minimum levels of services in the whole country. Ensure ANPAL has the resource and capacity to effectively coordinate such programmes across regions and identify best practice. Strengthen public employment services by increasing staff-to-job seeker ratios and specialisation of counsellors. Establish a system to spread best practices in lagging regions.

Japan

Per capita income remains nearly 20% below the upper half of OECD countries, reflecting low labour productivity and widening gaps between leading and lagging firms. Despite a falling working-age population, a rising participation rate among women and older persons is boosting labour inputs.

Income inequality, as measured by the Gini coefficient, is above the OECD average, reflecting entrenched labour market dualism and the weak redistributive effect of the tax and social welfare system on the working-age population. Greenhouse gas emissions per capita are slightly below the OECD average while exposure to air pollution is above levels in other advanced economies.

The government has addressed some of the priorities in Going for Growth 2017. The 2017 plan to expand childcare capacity is supporting female employment and free early childhood education and care (ECEC) for children aged 3-5 will be provided from 2019. Legislation to reduce overtime work and improve the treatment of non-regular workers will be fully enforced by 2023.

Narrowing the productivity gap requires enhancing product market competition and the competitiveness of SMEs. Barriers to trade and investment inflows should be reduced to deepen Japan's integration in the global economy. Further promotion of employment of women and older persons and the integration of foreign workers are essential to mitigate the impact of population ageing. Greater use of environmentally-related taxes would help achieve environmental goals.

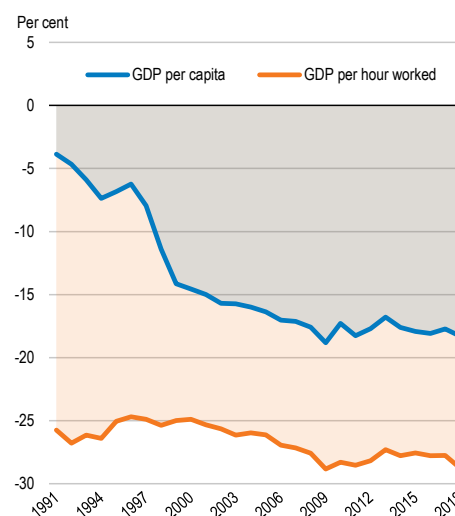
Growth performance, inequality and environment indicators: Japan

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.1 | 1.3 |
| Labour utilisation | 0.4 | 1.5 |
| of which: Labour force participation rate | 0.2 | 1.2 |
| Employment rate ¹ | 0.2 | 0.3 |
| Employment coefficient ² | 0.0 | 0.0 |
| Labour productivity | 1.0 | 0.2 |
| of which: Capital deepening | 0.2 | -0.3 |
| Total factor productivity | 0.8 | 0.4 |
| Dependency ratio | -0.3 | -0.4 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2015 | 2012-15 |
| Gini coefficient ³ | 33.9 (31.7)* | 0.3 (0)* |
| Share of national disposable income held by the poorest 20% | 6.5 (7.6)* | 0 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 9.8 (10.9)* | 10.1 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.3 (0.3)* | 0.3 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 2.7 | 2.8 |

* OECD simple average (weighted average for emissions data)

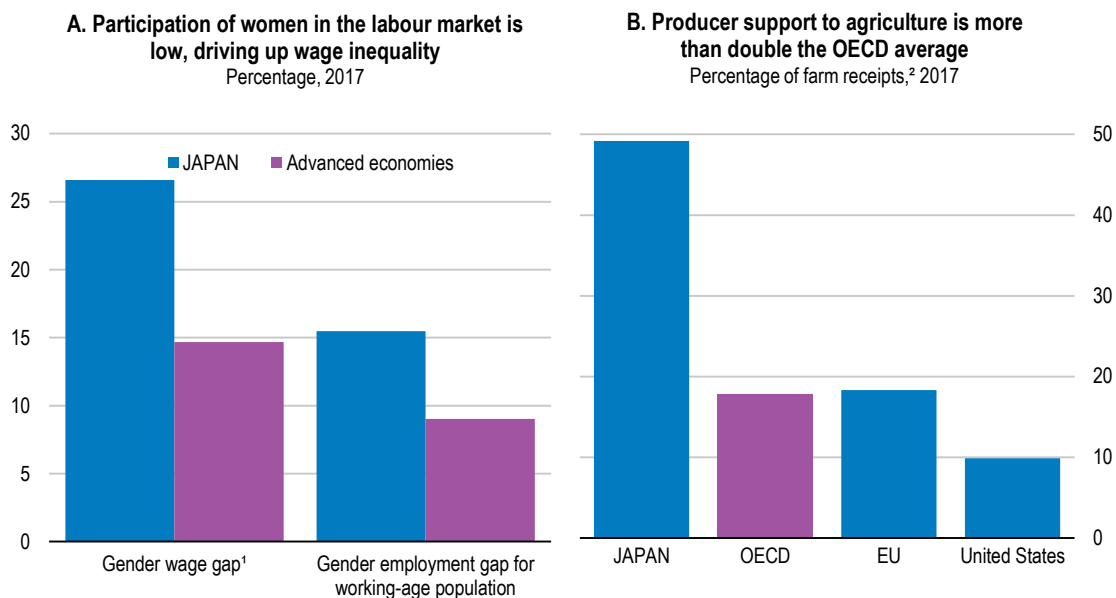
C. The gap in GDP per capita persists
Gap to the upper half of OECD countries⁵



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases; Japan Ministry of Health, Labour and Welfare.

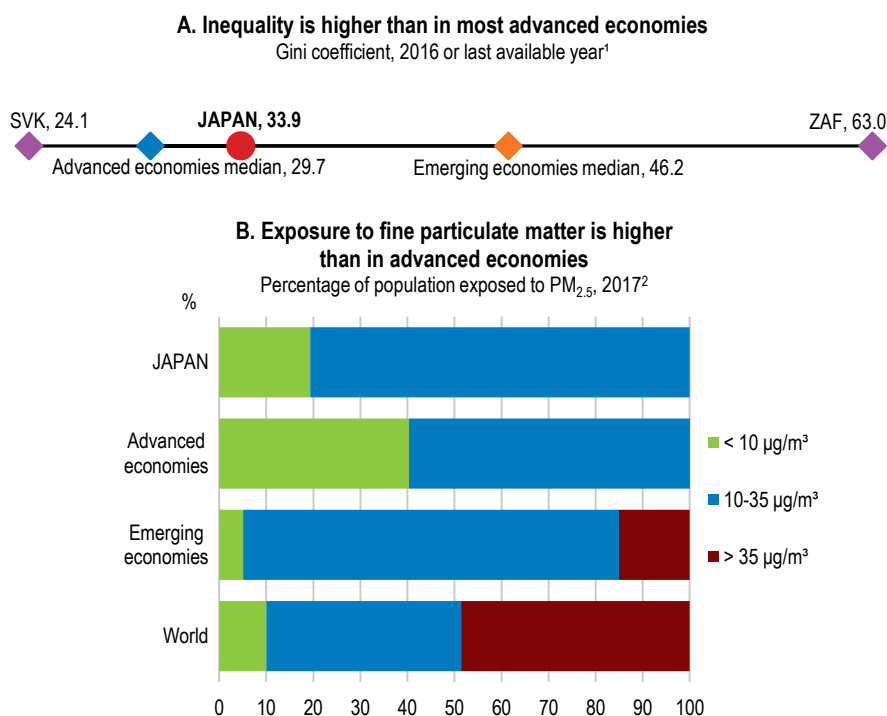
StatLink  <https://doi.org/10.1787/888933955085>

Policy indicators: Japan



Source: Panel A: OECD, Gender and Labour Force Statistics Databases; Panel B: OECD, Producer Support Estimate Database.
StatLink <https://doi.org/10.1787/888933955959>

Beyond GDP per capita: Japan



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.
StatLink <https://doi.org/10.1787/888933956833>

Japan: *Going for Growth 2019* priorities

Ease entry barriers and raise productivity of the service sector and SMEs. Product market regulations limit competition and investment in services, reducing productivity.

- **Actions taken:** Regulatory sandboxes and grants and tax incentives for SME investment in information and communication technologies were introduced in 2018. Participation in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the EU-Japan Economic Partnership Agreement will strengthen competition in services.
- **Recommendations:** Boost business dynamism by reforming the insolvency framework and expanding access to entrepreneurial training and finance. Extend the reforms in the National Strategic Special Zones nationwide. Reduce entry barriers, while lowering restrictions on service imports and inward FDI.

Reduce producer support and increase efficiency of the agricultural sector. Support for agricultural producers, which is more than double the OECD average, is concentrated in the potentially most distorting form and raises prices for consumers.

- **Actions taken:** The production quota and direct payments for table rice were abolished in 2018. A 2018 law allows more flexible use of farmland, including for vegetable production, and facilitates the leasing of communal farmland even when some owners are difficult to locate. The duration of leases of such farmlands based on majority agreement was lengthened from five to 20 years.
- **Recommendations:** Reduce commodity-specific agricultural subsidies and delink them from production. Promote greater efficiency through further consolidation of farmland by lifting obstacles to transactions, liberalising the regulations on the ownership of farmland by non-agricultural corporations and addressing the issue of unidentified landowners.

Improve the efficiency of the tax system. The tax system, which has a high corporate tax rate, a narrow personal income tax base, and the third-lowest standard VAT rate among OECD countries, lowers Japan's growth potential.

- **Actions taken:** The corporate income tax rate, which was the highest in the OECD in fiscal year 2013, was cut further to 29.74% in 2018. The planned hike in the consumption tax rate to 10% in 2015 has been delayed until 2019 and will be accompanied by the introduction of multiple rates. To make the personal income tax more neutral to diverse workstyles, employment income and basic deductions are to be modified from 2020.
- **Recommendations:** Set a schedule of small annual increases in the consumption tax rate that would raise it toward the 19% OECD average. Further lower the corporate tax rate, while raising taxes on capital gains and dividends. Broaden the personal income tax base by scaling back deductions that primarily benefit high-income households. Increase environmentally-related taxes to achieve environmental goals and boost revenue.

Strengthen policies to support the labour force participation of all available talents. Japan is facing the most rapid population ageing in the OECD area, while the share of foreign workers is one of the lowest in the OECD, which makes its working age population shrink.

- **Actions taken:** A plan was launched in 2017 to expand childcare capacity by 320 thousand children by 2020. Free early childhood education and care for children aged 3-5 is to be provided from October 2019, financed by part of the revenue from the scheduled consumption tax hike. Spousal deductions of the personal income tax were modified in 2018 to reduce labour supply distortions. Recent legislation introduced limits on overtime work, enforced by legal sanctions, and aims to reduce discrimination against non-regular workers.
- **Recommendations:** Encourage the labour force participation of women and older persons by; *i)* further expanding access to affordable, high-quality childcare; *ii)* abolishing the right of firms to set a mandatory retirement age; *iii)* encouraging a shift to flexible employment and wage systems based on ability rather than seniority; *iv)* breaking down labour market dualism, in part by reducing effective employment protection for regular workers; and *v)* reducing labour supply distortions in the tax and transfer system. Promote employment of foreign skilled professionals and foreign workers in sectors with severe labour shortages.

***Promote green growth.** Increased dependence on fossil fuels after the Fukushima accident in 2011 makes it difficult to meet greenhouse gas emission targets. To ensure sustainability of resources and improve environmental quality, accelerating efforts to achieve the greenhouse gas emission targets and scaling up the mitigation ambition beyond current targets is a priority.

- **Recommendations:** Accelerate deployment of renewable energy sources by addressing potential barriers, in part by following through on the electricity sector reform launched in 2015. Implement the 2019 strategy to achieve the 2050 long-term climate goal through the decarbonisation of the economy. Encourage green finance and investment.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Korea

Sustained rapid growth has reduced the gap in GDP per capita to the upper half of OECD countries. However, productivity is only about half as high, while labour inputs are the largest in the OECD, reflecting long working hours which have a negative impact on well-being and female employment.

While inequality, as measured by the Gini coefficient, is below the OECD average, the income share of the top 10% is relatively high. Income inequality reflects the weak redistributive effect of the tax and social welfare system. The relative poverty rate of the elderly is more than three times the OECD average. Greenhouse gas emissions per capita are above the OECD average and air pollution is among the worst in the OECD area.

Korea has addressed some of the priorities in Going for Growth 2017. It announced a “first permission, ex-post regulation” system in 2017 to promote innovation. A 2018 law aims to improve work-life balance by reducing maximum working hours. Social spending is scheduled to rise at a 9% annual rate over 2017-21, boosting its share to 27% of central government spending.

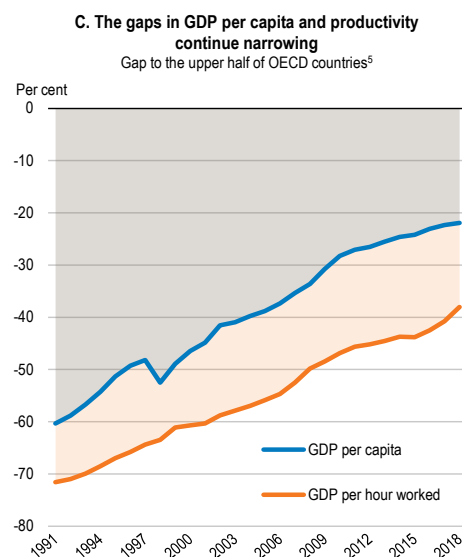
Narrowing the productivity gap requires regulatory reform, particularly in the lagging service sector. Faced with the most rapid population ageing in the OECD area, reforms are also needed to promote labour participation, particularly by women and older persons. Such reforms should also break down labour market dualism, which is a fundamental cause of wage and income inequality and relative poverty.

Growth performance, inequality and environment indicators: Korea

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 3.7 | 2.5 |
| Labour utilisation | 0.2 | 0.9 |
| of which: Labour force participation rate | 0.3 | 0.8 |
| Employment rate ¹ | 0.0 | -0.1 |
| Employment coefficient ² | -0.1 | 0.2 |
| Labour productivity | 3.1 | 1.5 |
| of which: Capital deepening | 1.4 | 0.7 |
| Total factor productivity | 1.7 | 0.8 |
| Dependency ratio | 0.3 | 0.0 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2017 | 2015-17 |
| Gini coefficient ³ | 35.5 (31.7)* | 0.2 (0)* |
| Share of national disposable income held by the poorest 20% | 5.9 (7.6)* | 0 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 12.6 (10.9)* | 12.6 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.4 (0.3)* | 0.4 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 1.4 | 1.4 |

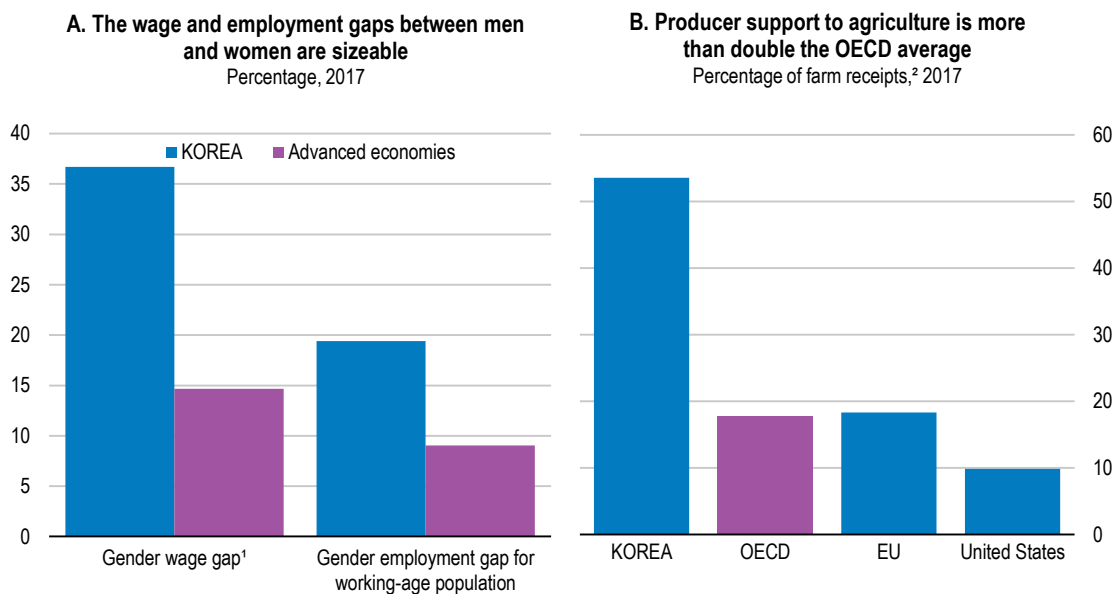
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases; Korea Ministry of Employment and Labour.

StatLink  <https://doi.org/10.1787/888933955104>

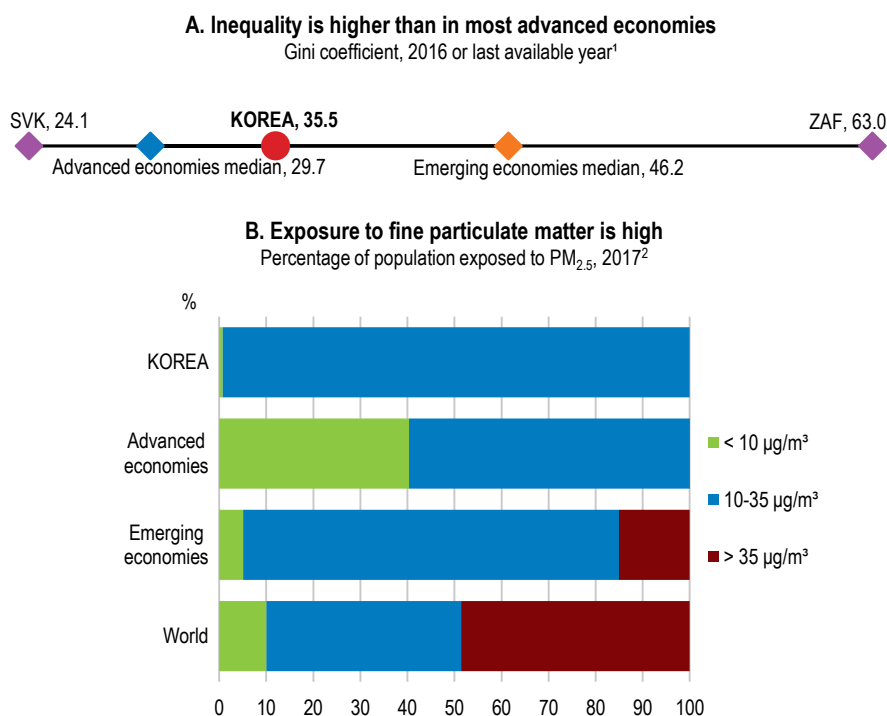
Policy indicators: Korea



Source: Panel A: OECD, Gender and Labour Force Statistics Databases; Panel B: OECD, Producer Support Estimate Database.

StatLink <https://doi.org/10.1787/888933955978>

Beyond GDP per capita: Korea



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956852>

Korea: *Going for Growth 2019* priorities

Reduce the regulatory burden on economic activity and monitor progress in regulatory reform.

Restrictive product market regulation hinders competition and productivity gains, particularly in services.

- **Actions taken:** The government announced the “first permission, ex-post regulation” system in September 2017. In 2018, fin-tech start-ups were exempted from regulations for two years if the government judges their services to be innovative.
- **Recommendations:** Introduce a comprehensive negative-list regulatory system. Improve regulatory quality by subjecting proposed legislation initiated by the National Assembly to regulatory impact assessments. Reduce the role of administrative guidance. Phase out entry barriers for large firms in business lines reserved for SMEs, which are primarily in the service sector.

Strengthen policies to support employment of women and older persons. The employment rate of women is 20 percentage points below the rate of Korean men, the fourth-largest gap in the OECD. Employees leave firms at around age 50 on average.

- **Actions taken:** In 2017, the government began to investigate firms suspected of not allowing their employees to take maternity leave. A 2018 law reduced maximum working hours from 68 to 52 per week as part of the government’s goal to reduce annual working time to around 1 800 hours. The government is expanding training programmes aimed at older workers and subsidies for those who participate.
- **Recommendations:** Enhance childcare quality by making accreditation mandatory and strengthening competition by relaxing fee ceilings on private childcare institutions and entry barriers. Promote a flexible wage system based on performance and job category, while abolishing firms’ right to set a mandatory retirement age.

Reform EPL and break down labour market dualism. Dualism drives inequality, by creating large wage gaps between regular and non-regular workers, and reduces productivity growth by discouraging firm-based training. It also has a negative impact on female employment.

- **Actions taken:** The government aims to transform the contracts of 205 000 non-regular workers in the public sector to regular status by 2020. In 2018, the subsidy to firms that convert non-regular workers to regular status was raised from KRW 600 000 per month to KRW 800 000 (USD 741).
- **Recommendations:** Break down dualism by relaxing employment protection for regular workers, in particular by simplifying and accelerating the remedy procedures for unfair dismissal and making it more transparent, and expanding social insurance coverage and training for non-regular workers.

Improve the efficiency of the tax system and strengthen the social safety net. The tax system should be made more growth-friendly, while social spending, which as a share of GDP is half of the OECD average, continues to increase.

- **Actions taken:** Social spending is scheduled to rise at a 9% annual rate over 2017-21. Subsidies for parents with a child up to age five and for unemployed young people were introduced in 2018. The Basic Pension was increased to KRW 300 000 (USD 260) in April 2019, while maintaining its coverage at 70% of the elderly. The corporate income tax rate on large firms was increased from 22% to 25% in 2017.
- **Recommendations:** Gradually raise government revenue to finance rising social spending, focusing on taxes with a less negative impact on growth, such as the VAT and environment-related taxes. Focus the Basic Pension on the elderly with the lowest incomes to reduce the relative poverty rate for the population over age 65, which is the highest in the OECD at 46%, and expand the coverage of the National Pension Scheme.

Reduce producer support to agriculture. Support for producers, which is almost three times the OECD average, imposes a large burden on consumers. Assistance to farmers is provided primarily through market price support, which distorts the structure of agriculture.

- **Actions taken:** Variable subsidies for rice in 2018 fell to one-third of the 2017 level. To balance the supply and demand for rice, the government is reducing the area of rice paddies, encouraging diversification of production, and stimulating demand.
- **Recommendations:** Phase out import barriers imposed on agricultural products and commodity-specific support to allow markets to play a greater role in allocating production resources to higher value-added products. Shift the composition of support from market price measures toward direct support. Promote farm consolidation by reforming regulations on land conversion.

Latvia

GDP per capita is significantly lower than the upper half of OECD countries due to relatively low productivity. Catch up to high-productivity countries continues, although at a slower pace than before 2008.

Income inequality has declined somewhat, but remains higher than the average of OECD countries. The income share of the poor remains low. Greenhouse gas emissions per capita are below the OECD average, owing to the high share of renewable energy, but have been stable over the past two decades.

The government introduced several measures to reduce regulatory burdens to business, namely the “Consult first” initiative where authorities first provide advice on compliance, before sanctioning businesses. It also passed several laws to promote e-government services and a one-stop shop for administrative procedure for starting a business. The personal income tax system was made more progressive by lowering the rate on low and medium incomes and introducing a higher, income-dependent tax allowance. Public health expenditure is being increased from a low level to improve access to services. The labour market relevance of vocational education has been increased and modular courses were introduced, facilitating access for adult learners. Integration of the electricity and railway networks with EU neighbours is ongoing.

Reducing labour taxes on low wages, strengthening minimum income support and financial assistance for low-income students would strengthen formal employment and productivity, while lowering poverty. Improving access to housing and investing in low-emission transport and energy efficiency would strengthen internal mobility, equality of opportunity and environmental outcomes.

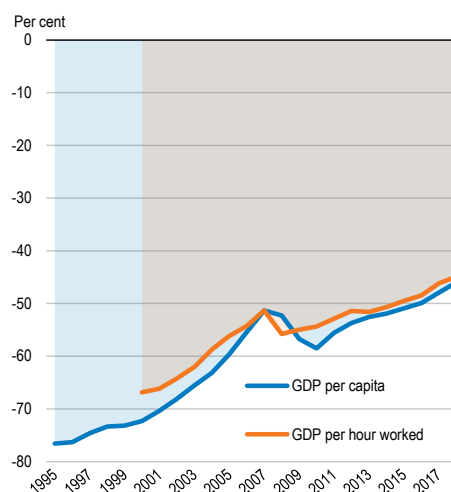
Growth performance, inequality and environment indicators: Latvia

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 8.6 | 4.1 |
| Labour utilisation | 2.5 | 2.2 |
| of which: Labour force participation rate | 1.5 | 0.8 |
| Employment rate ¹ | 0.9 | 1.4 |
| Employment coefficient ² | 0.0 | 0.0 |
| Labour productivity | 5.7 | 2.5 |
| of which: Capital deepening | 3.0 | 0.8 |
| Total factor productivity | 2.6 | 1.7 |
| Dependency ratio | 0.3 | -0.7 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 34.6 (31.7)* | -0.2 (0)* |
| Share of national disposable income held by the poorest 20% | 6.4 (7.6)* | -0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 5.3 (10.9)* | 5.1 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.2 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.0 | 0.0 |

* OECD simple average (weighted average for emissions data)

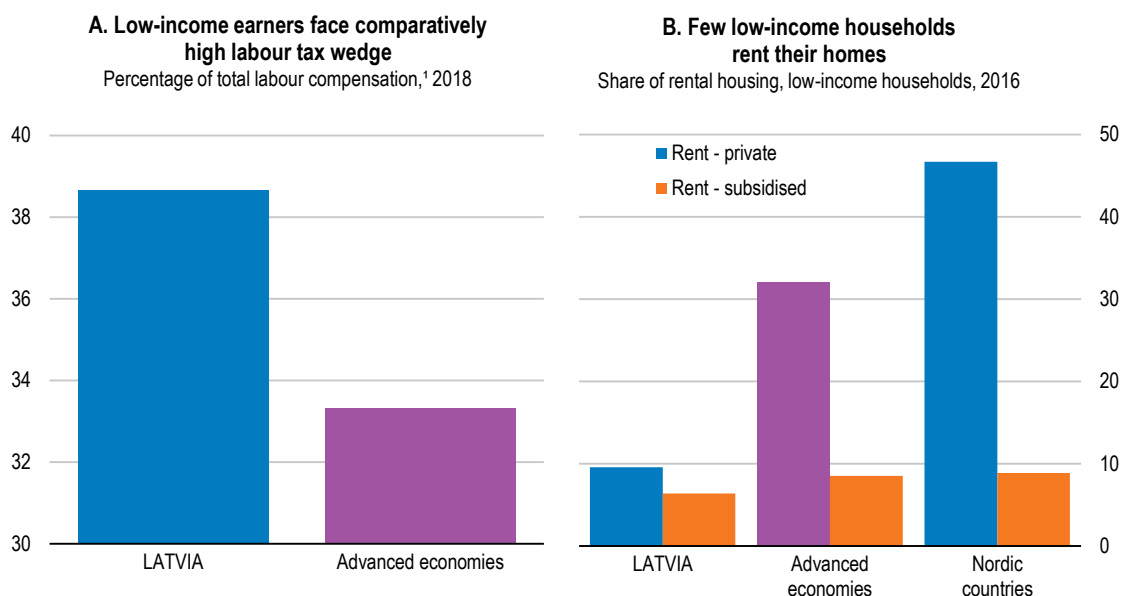
C. Convergence in GDP per capita continues
Gap to the upper half of OECD countries⁵



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink  <https://doi.org/10.1787/888933955123>

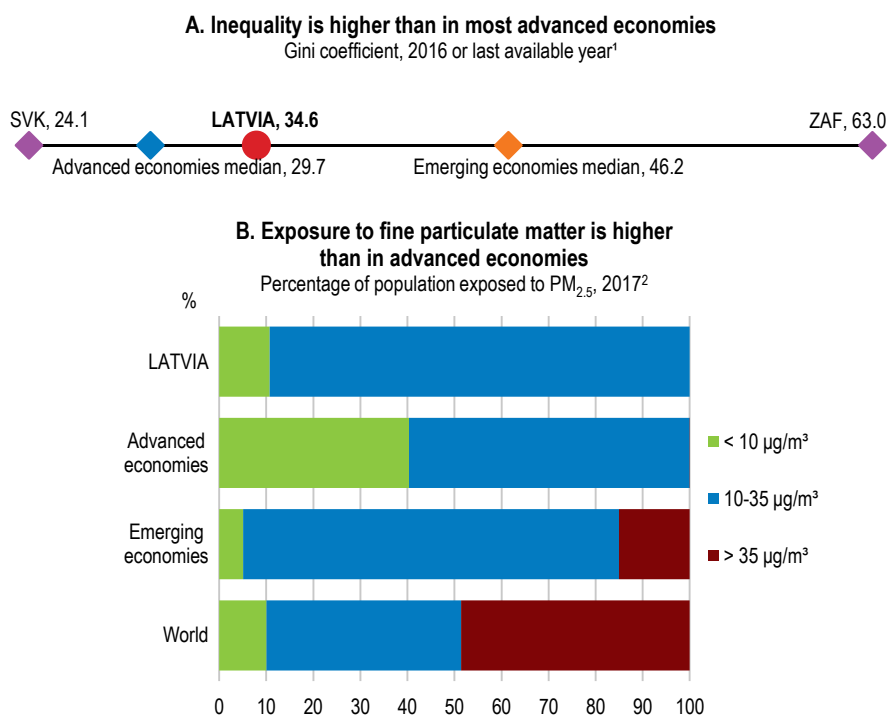
Policy indicators: Latvia



Source: Panel A: OECD, Taxing Wages Database; Panel B: Preliminary Data from the OECD Affordable Housing Database, <https://www.oecd.org/social/affordable-housing-database.htm>.

StatLink  <https://doi.org/10.1787/888933955997>

Beyond GDP per capita: Latvia



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink  <https://doi.org/10.1787/888933956871>

Latvia: *Going for Growth 2019* priorities

Strengthen vocational education. Skill shortages constrain formal employment, productivity growth and inclusiveness.

- **Actions taken:** In cooperation with social partners the government modernised curricula, defined new training programmes and developed modular courses, with implementation starting in the 2017/18 school year. It invested heavily in the modernisation of school infrastructure. The government together with social partners is rolling out an adult education plan until 2020.
- **Recommendations:** Provide more generous grants for students attending vocational schools who are from low-income families and strengthen work-based training. Make it more attractive for vocational schools to offer adult training by lifting limits on own earnings and improve awareness of low-income workers regarding adult learning offers.

Lower labour taxes, increase property and green taxes and strengthen the tax administration. High taxes on low wage incomes contribute to informality, high unemployment and poverty. Better tax compliance would help finance minimum income support and other social policies.

- **Actions taken:** The government lowered labour taxes on medium and low incomes and increased the income-dependent tax allowance in 2018. However, a new social contribution for health expenditure increases labour taxes on low-wage earners. The revenue loss is partly compensated by stricter VAT administration and increases in excise taxes.
- **Recommendations:** Reduce the labour tax wedge on low earnings. Raise more revenues from the taxation of real estate and energy. Make better use of information and communication technology for tax law enforcement.

Strengthen social protection. Social benefits are low and not targeted to the poor. High out-of-pocket payments limit access to healthcare especially for the poor.

- **Actions taken:** The government increased the Guaranteed Minimum Income by 6% in 2018 and took some measures to increase pension adequacy. Healthcare spending is being increased from a low level.
- **Recommendations:** Implement the minimum income reform abandoned in 2017. Reduce out-of-pocket payments especially for the low-income population. Develop key service quality and performance indicators for health care providers to improve efficiency.

***Strengthen access to housing.** Access to affordable decent housing is poor, especially in the Riga region with the best employment opportunities.

- **Recommendations:** Improve legal certainty in rental regulation and encourage out-of-court procedures. Simplify the administrative process for obtaining a building permit. Provide more funding for low-cost rented housing in areas of expanding employment. Expand the mobility programme, which provides temporary support for relocation and transport.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Strengthen infrastructure. Energy and transport infrastructure are underdeveloped, isolating Latvia from the EU electricity markets and constraining productivity growth and regional development.

- **Actions taken:** In 2017, the Intergovernmental agreement on the creation of the Rail Baltica, a EUR 6 billion railway transport project which aims to integrate the Baltic countries within the European railway network, was signed and ratified. In 2018, Latvia signed with other Baltic countries the Political Roadmap which aims at the synchronisation of the electricity networks with the Continental European Network by 2025.
- **Recommendations:** Further increase the connectivity to EU electric networks. Enhance the quality of transport infrastructure, especially on roads. Make use of the latest technologies to favour demand-responsive collective road transport services tailored to the needs of customers in rural areas.

Lithuania

While the GDP gap per capita relative to the upper half of OECD countries remains large, owing to relatively low productivity, its convergence towards high-income countries continues steadily.

Income inequality, as measured by the Gini coefficient, is well above the OECD average and has increased in recent years. The income share of the poor remains low. Per capita greenhouse gas emissions are below the OECD average.

The government increased the non-taxable income threshold and introduced more generous unemployment benefits under the New Social Model. Modernised curricula and other initiatives aim to enhance the labour-market relevance of vocational education and training system. Governance reforms have increased the independence of the boards of state-owned enterprises and introduced a better separation between operation and monitoring functions. In the health sector, the government has been promoting healthy lifestyles and granted pay rises for physicians in rural and remote areas to reduce regional differences. A reform underway in the reimbursement for drugs aims at incentivising the use of generic drugs. New provisions in 2017 helped reduce co-payments by around 20%.

Improved business-research collaboration on innovation and a more efficient insolvency regime that facilitates early restructuring, and where necessary, firm exit, would boost productivity growth. Further fostering inclusive growth hinges upon making the education system more responsive to skills needs and improving the employability of low-paid workers through lower social security contributions and more effective activation programmes.

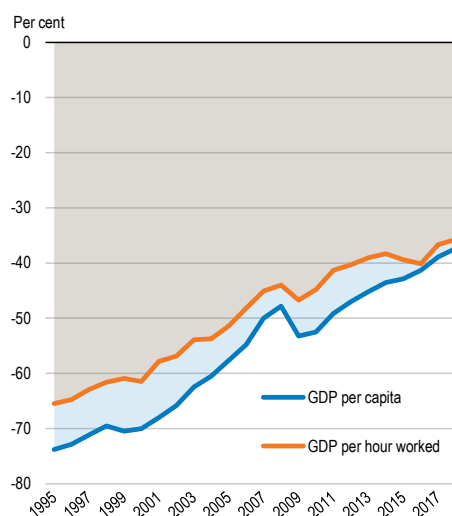
Growth performance, inequality and environment indicators: Lithuania

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 9.0 | 4.3 |
| Labour utilisation | 1.3 | 2.6 |
| of which: Labour force participation rate | -0.3 | 1.3 |
| Employment rate ¹ | 1.5 | 1.3 |
| Employment coefficient ² | 0.1 | 0.0 |
| Labour productivity | 7.2 | 2.0 |
| of which: Capital deepening | 2.4 | 0.7 |
| Total factor productivity | 4.7 | 1.3 |
| Dependency ratio | 0.3 | -0.3 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 37.8 (31.7)* | 0.9 (0)* |
| Share of national disposable income held by the poorest 20% | 5.8 (7.6)* | -0.3 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 4.1 (10.9)* | 4.3 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.2 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.0 | 0.0 |

* OECD simple average (weighted average for emissions data)

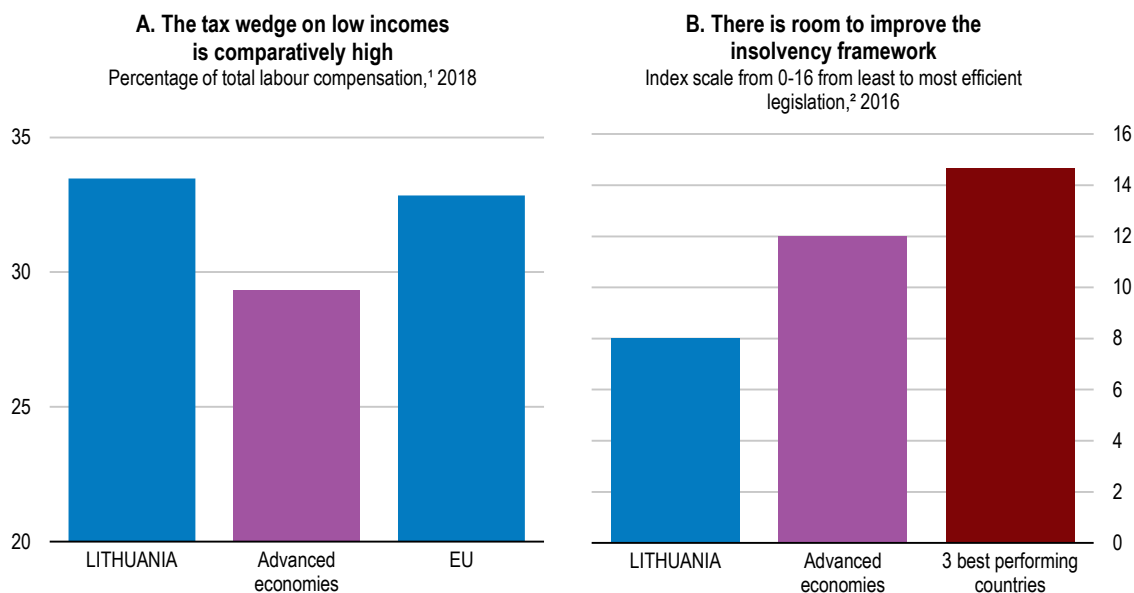
C. Convergence in GDP per capita continues
Gap to the upper half of OECD countries⁵



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

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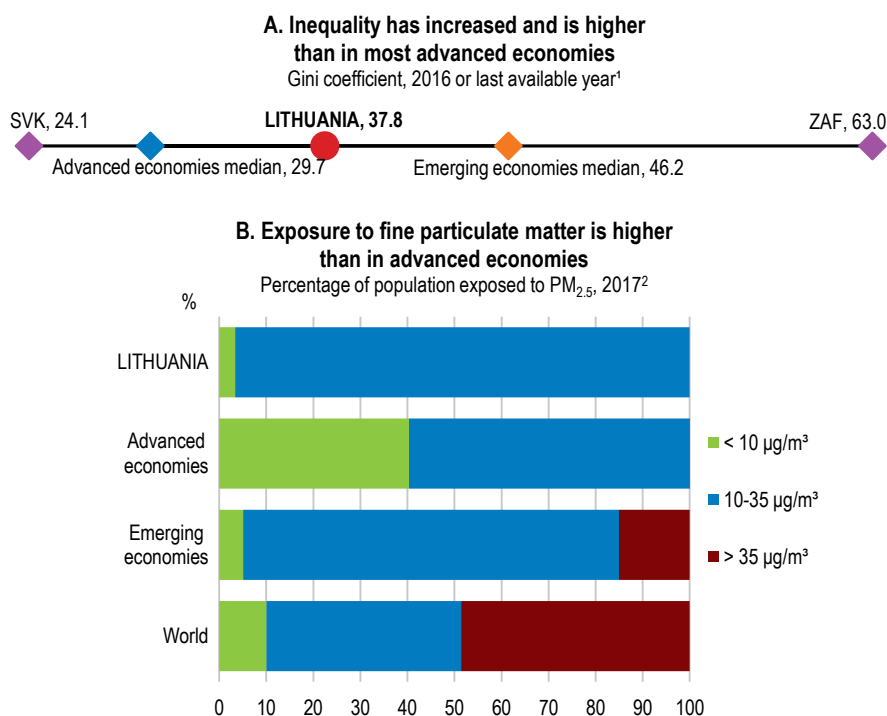
Policy indicators: Lithuania



Source: Panel A: OECD, Taxing Wages Database; Panel B: World Bank, Doing Business.

StatLink  <https://doi.org/10.1787/888933956016>

Beyond GDP per capita: Lithuania



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink  <https://doi.org/10.1787/888933956890>

Lithuania: *Going for Growth 2019* priorities

Improve the employment prospects and work incentives of low-skilled workers. The high tax wedge hinders employment of low-skilled workers and undermines labour supply incentives. Financial work incentives are weaker for larger families.

- **Actions taken:** The 2018 budget increased the non-taxable personal income threshold. A new in-work benefit scheme ("income disregard"), introduced in early 2018, increases the earnings threshold for being eligible for social assistance, especially for larger families.
- **Recommendations:** Reduce social security contributions for low-paid workers, while ensuring that benefits remain. Monitor the impact of the new in-work benefit scheme in reducing poverty.

Help jobseekers to get back to work. More effective activation programmes, and increased participation in such schemes would help transition to new, quality jobs.

- **Actions taken:** The new Law on Employment, which entered into force in 2017, expands the range of active labour market programmes and reallocates spending among them to increase efficiency. In addition, the management of public employment services has been centralised.
- **Recommendations:** Increase investment in activation programmes, upon a close monitoring and evaluation of their outcomes based on systematic data collection. Ensure a sufficient number of suitably trained officers in public employment services to provide intensive personalised assistance for jobseekers.

Ensure workers acquire job-relevant skills. Skills mismatch is above the OECD average, with a high proportion of firms citing difficulty in finding the right skills, despite a highly educated workforce.

- **Actions taken:** The curricula of vocational education and training continue to be reformed, with increased co-operation with social partners and vocational guidance made part of the general education system. A new model underway relates part of the funding to tertiary institutions to the achievement of the agreed performance outcomes. Apprenticeship labour contracts were introduced in 2017 as an instrument of training.
- **Recommendations:** Reform the funding system of vocational education and training to reward work-based instruction of students. Make work experience a requirement for entry into vocational teaching. Link the length of apprenticeships to the level of acquired competencies. Encourage firms' participation in training provision.

***Boost innovation capacity.** Business expenditure on research and development is low and collaboration on innovation with the research sector is limited, weakening knowledge diffusion.

- **Recommendations:** Make R&D tax incentives more effective by reducing the scheme's complexity and increasing its awareness among firms. Give more weight on collaborative research when allocating funds to research institutions. Improve co-ordination in the innovation system through consolidating agencies and programmes where overlaps exist.

***Improve the insolvency framework.** More efficient insolvency procedures would facilitate the exit of less productive firms, improving the allocation of resources.

Recommendations: Further streamline bankruptcy procedures by simplifying the criteria for starting the insolvency process and introducing clearer deadlines for filings. Establish more favourable conditions for restructuring of firms in financial difficulties.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Luxembourg

GDP per capita still exceeds that of other advanced OECD countries by almost 50%, but the gap has been narrowing in the wake of the global financial crisis. Both productivity growth and labour utilisation have remained flat, while structural unemployment slowly decreased.

Income inequality, as measured by the Gini coefficient, is below the OECD average. However, over the past few years disposable income has decreased for the poorest households. Greenhouse gas emissions per capita, while on a downward trend, are among the highest in the OECD.

Progress in addressing past priorities identified in Going for Growth has been achieved in the area of social benefit system with the ongoing reform of the minimum income scheme and the introduction in 2018 of additional benefits available to low income groups such as early childcare vouchers and expanded housing assistance.

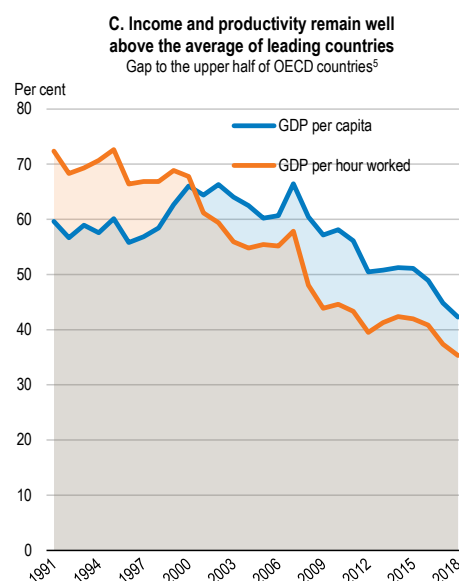
Increased infrastructure investment would help to improve environmental outcomes and the quality of growth. Improvements in the education system and better access to lifelong learning would help to reduce skills mismatches, making growth more inclusive. More competition, especially in professional services and retail, would reinforce the diversification of the economy and medium-term improvements in productivity. Better land planning and stronger incentives to develop land available for construction would help meeting the increasing demand for housing.

Growth performance, inequality and environment indicators: Luxembourg

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.9 | 0.7 |
| Labour utilisation | 1.7 | 0.3 |
| of which: Labour force participation rate | 0.3 | -0.2 |
| Employment rate ¹ | -0.3 | 0.1 |
| Employment coefficient ² | 1.6 | 0.5 |
| Labour productivity | 0.1 | 0.2 |
| of which: Capital deepening | 0.1 | 0.1 |
| Total factor productivity | 0.0 | 0.1 |
| Dependency ratio | 0.1 | 0.2 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2015-16 |
| Gini coefficient ³ | 30.4 (31.7)* | -0.1 (0)* |
| Share of national disposable income held by the poorest 20% | 7.9 (7.6)* | -0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 16.4 (10.9)* | 19.9 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.2 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.0 | 0.0 |

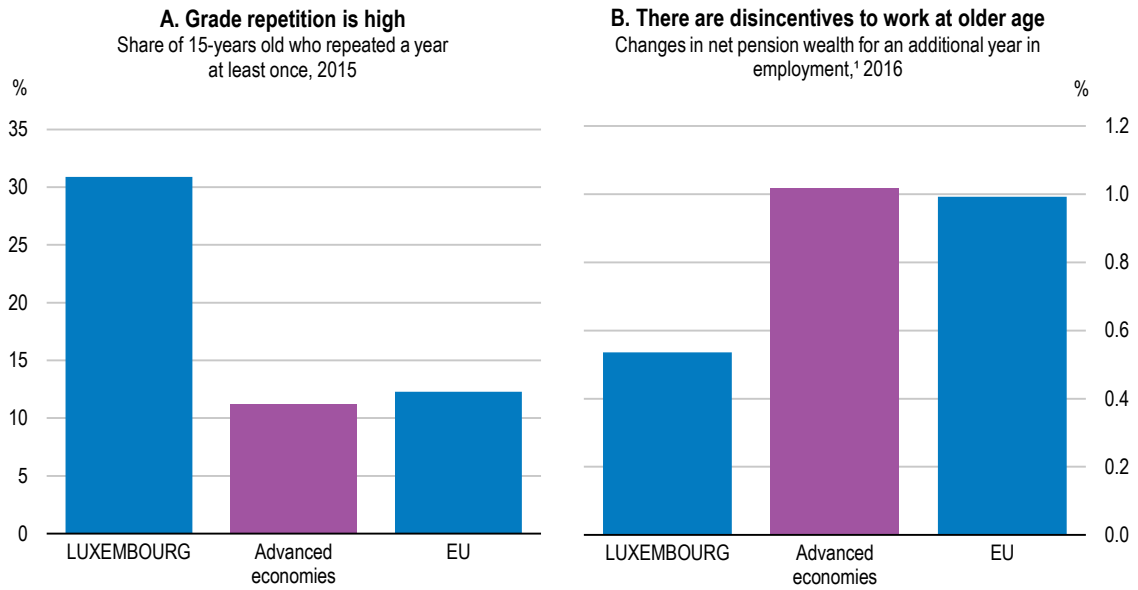
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink  <https://doi.org/10.1787/888933955161>

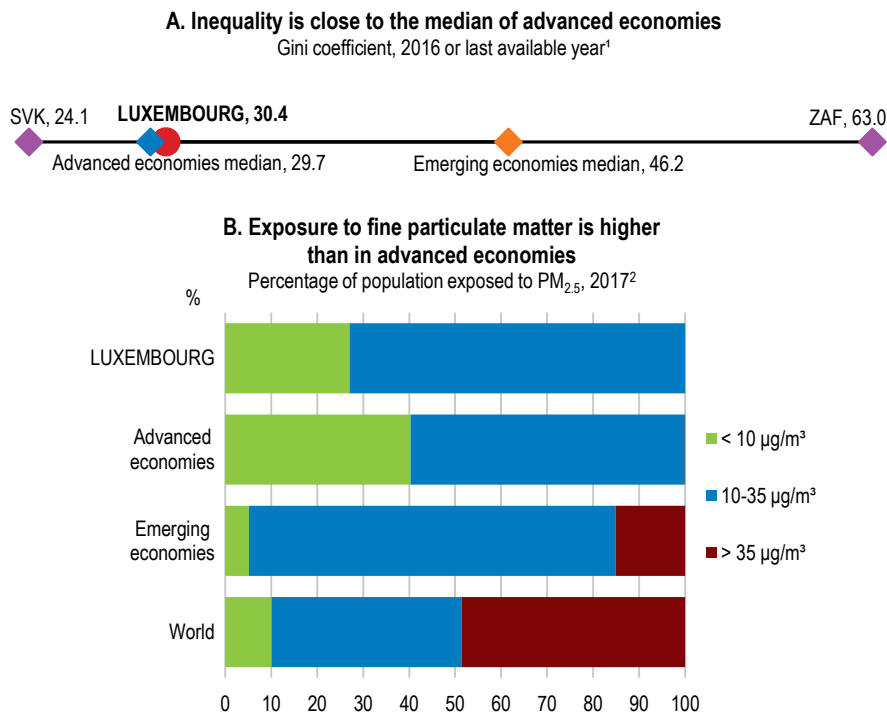
Policy indicators: Luxembourg



Source: Panel A: OECD, PISA Database; Panel B: OECD, Pension Models.

StatLink <https://doi.org/10.1787/888933956035>

Beyond GDP per capita: Luxembourg



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956909>

Luxembourg: *Going for Growth 2019* priorities

Improve the ability to respond to future skill needs. Skill shortages and mismatches limit labour productivity growth and constrain firms' ability to innovate.

- **Actions taken:** The 2017 law on secondary education gave schools more autonomy in organising the curriculum. New training programmes for job seekers developed by the Public Employment Service aim at improving digital skills. Lifelong learning availability was enhanced by the Second Chance School that offers training comparable to the last year of upper secondary education.
- **Recommendations:** Reduce grade repetition in secondary education, provide more school autonomy and better monitor education quality. Improve the quality and accessibility of vocational training. Enhance the apprenticeship system to reduce structural unemployment and address skill mismatches. Strengthen the co-operation between enterprises and research institutions in Luxembourg and abroad.

Facilitate labour market participation of women and older workers. Reducing disincentives for labour market participation can increase labour supply and therefore economic growth.

- **Actions taken:** Recent tax reform enabled couples to opt for individual taxation starting from 2018, reducing work disincentives for second earners. Increased public investment in early childhood education and care has improved affordability. One early retirement scheme (so-called "préretraite de solidarité") was phased out in July 2018, but conditions for other schemes, including for shift and night workers, were eased.
- **Recommendations:** Reduce disincentives for labour force participation of women by charging health care contributions for each spouse individually and introducing fully separate income tax assessment of spouses. Increase enrolment in early childhood education, especially of low-income and foreign-language families. Abolish early retirement schemes so as to raise the effective retirement age. A new pension reform should include limited credits for time spent outside work, more actuarial neutrality around the statutory retirement age and indexation of the latter to longevity.

Increase competition in the non-financial services sector. Restrictive regulations hinder competition and hence investment and productivity growth

- **Actions taken:** Some administrative procedures have been streamlined by the so-called Omnibus law entering force in 2018 and restrictions governing sales in the retail sector reduced.
- **Recommendations:** Remove regulatory restrictions in retail trade and business services, such as restrictions on advertising for architects and engineers, and facilitate co-operation between professions. Review the necessity and proportionality of restrictions on the access and conduct of regulated professions. Make shop opening hours more flexible.

Improve the functioning of the housing market. Better supply of housing is needed to meet the increasing demand due to population growth.

- **Actions taken:** The social housing programme has been extended, in order to expand the supply of affordable housing. Eligibility criteria for households to receive a rent subsidy have been relaxed in 2018.
- **Recommendations:** Increase housing supply by improving development of land available for new construction and speeding up procedures for granting construction permits. Increase the supply of social housing at affordable prices. Raise property taxes by updating property values used as the tax base. Reduce implicit tax subsidies to home ownership and incentives to hoard building plots.

***Increase infrastructure investment to improve environmental outcomes.** Traffic congestion and air pollution weighs on well-being and limits growth.

- **Recommendations:** Improve cross-border railway connections and transport infrastructure. To limit traffic congestion and air pollution, increase taxes and excise duties on transport fuel and explore the introduction of a system of congestion charges. Invest in smart electricity grids and better interconnectivity in electricity and gas markets. Use better interconnections to tap into the supply of renewable energy in neighbouring countries.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Mexico

The gap in GDP per capita relative to the upper half of OECD countries remains large due to low productivity levels. Average hours worked are among the highest in the OECD but low labour market participation of women hinder the contribution of labour to growth.

Absolute poverty has declined in recent years, however, relative poverty is still high. Significant inequalities persist in incomes and wealth as well as inequality in opportunities in jobs, housing and education. They also have a strong territorial dimension, impacting negatively on Mexico's growth potential. Mexico has made progress to protect the environment through international commitments, and has moved away from transport fuel subsidies, increased excise taxes on transport fuels and introduced a new carbon tax. However, emissions from energy and transport sectors continue to increase rapidly.

In recent years, Mexico has adopted a number of structural reforms to boost productivity growth. Full and efficient implementation and follow-up will be crucial to bear the full benefits of these past reforms.

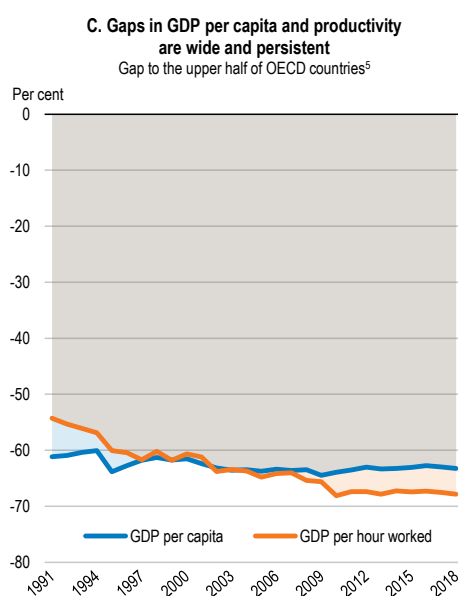
Although the creation of formal jobs has outpaced informal job creation, high informality remains a drag on productivity, due to an inefficient allocation of resources and insufficient workers' training. Informality is also a major driver of persistent high inequalities and poverty, which extend beyond working lives.

Growth performance, inequality and environment indicators: Mexico

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.3 | 1.3 |
| Labour utilisation | 0.2 | -0.2 |
| of which: Labour force participation rate | 0.7 | -0.3 |
| Employment rate ¹ | 0.0 | 0.3 |
| Employment coefficient ² | -0.5 | -0.2 |
| Labour productivity | 0.5 | 1.0 |
| of which: Capital deepening | 0.0 | 0.1 |
| Total factor productivity | 0.5 | 0.8 |
| Dependency ratio | 0.6 | 0.5 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2012-16 |
| Gini coefficient ³ | 45.8 (31.7)* | 0 (0)* |
| Share of national disposable income held by the poorest 20% | 5 (7.6)* | 0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 4.4 (10.9)* | 4.4 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.3 (0.3)* | 0.3 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 1.5 | 1.6 |

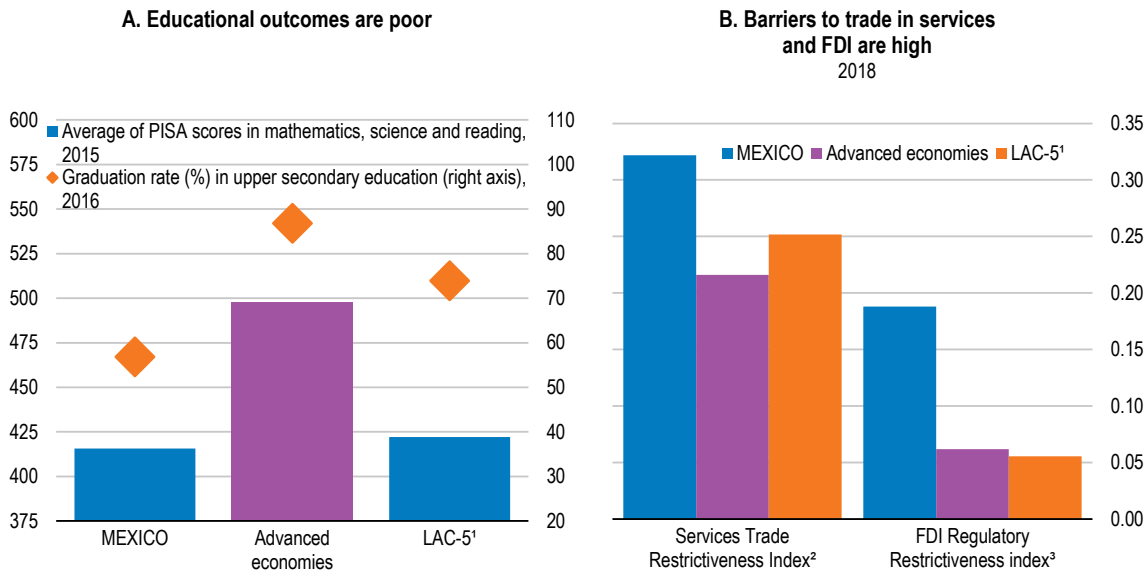
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink  <https://doi.org/10.1787/88893395180>

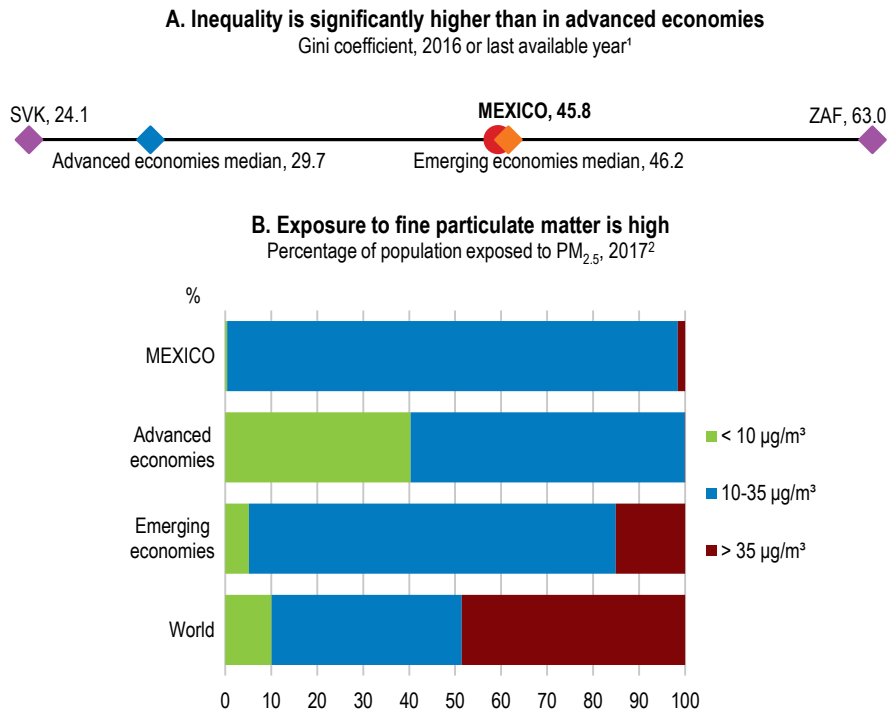
Policy indicators: Mexico



Source: Panel A: OECD, PISA and Education at a Glance Databases; Panel B: OECD, Services Trade Restrictions and FDI Regulatory Restrictiveness Index Databases

StatLink <https://doi.org/10.1787/888933956054>

Beyond GDP per capita: Mexico



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956928>

Mexico: *Going for Growth 2019* priorities

Raise education outcomes. Poor education outcomes hamper growth and contribute to persistent inequalities.

- **Actions taken:** The implementation of reforms is progressing. Teacher evaluation has taken place in most States and merit-based access to school positions, including those of directors and supervisors, has been awarded in 2017 and 2018. A new curriculum was introduced in the academic year of 2018-2019, aiming at providing all students with the skills needed in the 21st century. A government program aimed to improve education infrastructure (*Escuelas al 100*) has also been implemented, benefitting 24 000 schools to date. Enrolment rates in early childhood education and care continue to expand.
- **Recommendations:** Put solving high inequalities in access to good quality education at the centre of education policies. Increase participation in early childhood and care in low coverage regions and by children from disadvantaged backgrounds. Improve quality in early childhood education and care by increasing educational requirements and training of care assistants working with very young children and by lowering child-to-staff ratios. Continue improving school infrastructure and pedagogical material, particularly in disadvantaged schools and focus on guaranteeing adequate training to teachers of all schools. Develop incentives to attract good teachers and school directors to disadvantaged schools. Increase education spending on pre-primary, primary and secondary education. Develop and expand vocational and technical education.

Improve institutional quality. Low institutional quality hampers doing business by lowering the efficacy of contracts and the security of property rights, reducing investment and employment growth.

- **Actions taken:** Oral trials are being extended to commercial disputes nationwide.
- **Recommendations:** Finalise the rollout of adversarial trials across the country. Continue training of judging and lawyers in the new oral trial system. To tackle high impunity rates, implement reforms to establish an independent and efficient prosecutor general. Complete the setting up of anti-corruption systems at the state-level and ensure consistency with which regulations are applied. Establish a comprehensive public sector integrity strategy, including by strengthening protection for whistle-blowers and improving law enforcement.

***Reduce high informality.** High informality persists and constitutes a drag on productivity and economic growth and is also a source of large inequalities in income and access to public services. Geographical and gender differences in informality levels are very high.

- **Recommendations:** Enhance the formalisation incentives in the Fiscal Incorporation Regime by reducing social security contributions for low-skilled workers. Improve the quality of public services including good quality early childhood education and care. Simplify tax and regulatory systems to ease firms' compliance costs. Strengthen enforcement by redirecting more resources to labour inspectorates.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Reduce barriers to foreign direct investment. Barriers to foreign direct investment in services, including transportation and infrastructure, hamper rapid capital accumulation, knowledge diffusion and export competitiveness.

- **Actions taken:** In 2017 Mexico increased the cap on foreign equity in air services from 25% to 49%. Private sector participation in both the oil and electricity sectors has been implemented in 2017, whereas before participation was very limited.
- **Recommendations:** Continue to ease FDI restrictions in sectors that are key for downstream industries and export competitiveness such as transport, logistics and banking. Improve the business climate to attract FDI including by improving security and the rule of law.

Reduce barriers to entry and competition. Barriers to business entry persist, limiting investment and growth.

- **Actions taken:** The retail fuel market was opened up in 2017. In 2018 a FinTech law was adopted to regulate the entrance of new participants in the financial system by endorsing international standards of protection to investments in the sector, included in trade agreements and other international instruments. In May 2018 the general law for regulatory improvement has been approved, imposing regulatory improvement measures at the sub-governmental level. The mandate of CONAMER, the regulatory improvement agency, has been extended to the sub-national level while the Federal Competition Commission (COFECCE) was reformed, strengthened and its autonomy was improved in the recent years.
- **Recommendations:** Promote entry of formal firms by facilitating registration procedures, and reducing red tape at the local level, including by implementing the general law of regulatory improvement (*Ley General de Mejora Regulatoria*). Develop a database listing all administrative procedures for all business across government levels. Facilitate access to public procurement for SMEs by standardising rules, procedures and contracts between and across levels of government.

Netherlands

GDP per capita is close to the upper half of OECD countries but productivity has remained stagnant in recent years.

Income inequality is below the OECD average. Air pollution is quite high and above levels in other advanced countries. Greenhouse gas emissions per capita are just above the OECD average.

Reforms in recent years will improve the job quality and protection of workers on flexible contracts to some extent. Considerable progress has been made in improving the efficiency of the dismissal system and a fairer entitlement and calculation of severance payment between permanent and temporary workers. Reforms have been taken that will help to reduce the financial stability risks stemming from the housing sector.

Further reforms are needed to address the labour market duality and to improve the fairness of the labour taxation system. Additional reductions in the marginal tax rates will incentivise second earners to increase their hours worked. Active labour market policies should be more targeted to ensure that those who are most vulnerable receive enhanced support. Higher levels of public research and development spending should complement existing tax incentives.

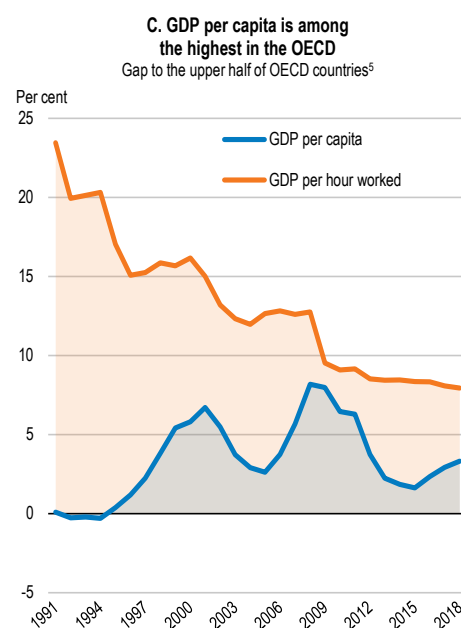
Growth performance, inequality and environment indicators: Netherlands

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.9 | 1.4 |
| Labour utilisation | 0.6 | 0.4 |
| of which: Labour force participation rate | 0.7 | 0.0 |
| Employment rate ¹ | 0.0 | 0.3 |
| Employment coefficient ² | -0.1 | 0.0 |
| Labour productivity | 1.3 | 0.9 |
| of which: Capital deepening | 0.2 | 0.1 |
| Total factor productivity | 1.1 | 0.8 |
| Dependency ratio | 0.0 | 0.1 |

| B. Inequality and environment | | |
|---|--------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 28.5 (31.7)* | -0.1 (0)* |
| Share of national disposable income held by the poorest 20% | 8.7 (7.6)* | 0 (0)* |
| | 2016 | Average of levels 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 11.8 (10.9)* | 12.1 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.3 (0.3)* | 0.3 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.4 | 0.4 |

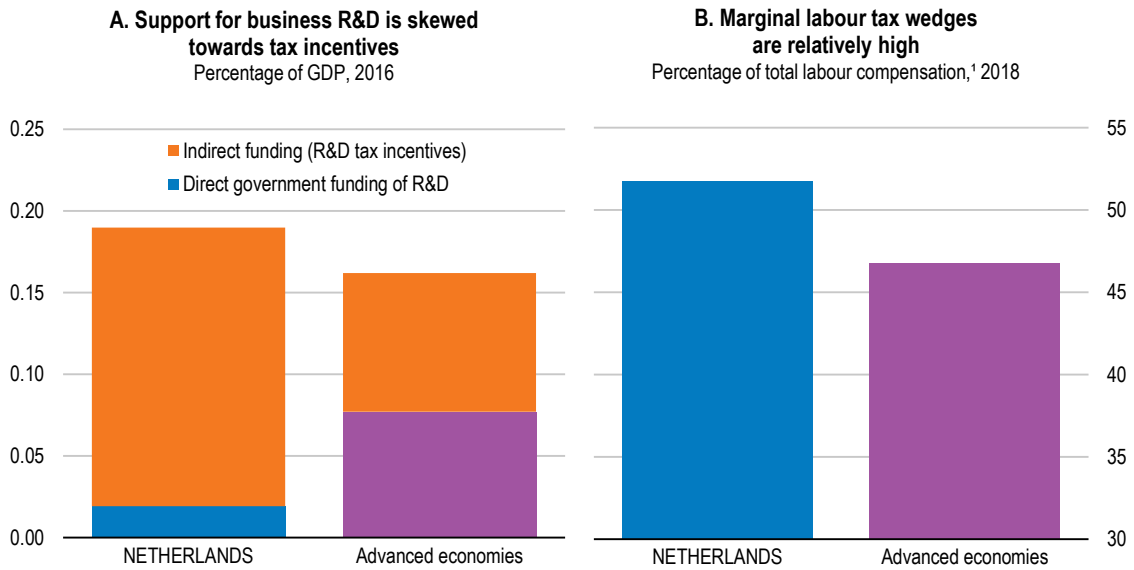
* OECD simple average (weighted average for emissions data)

Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.



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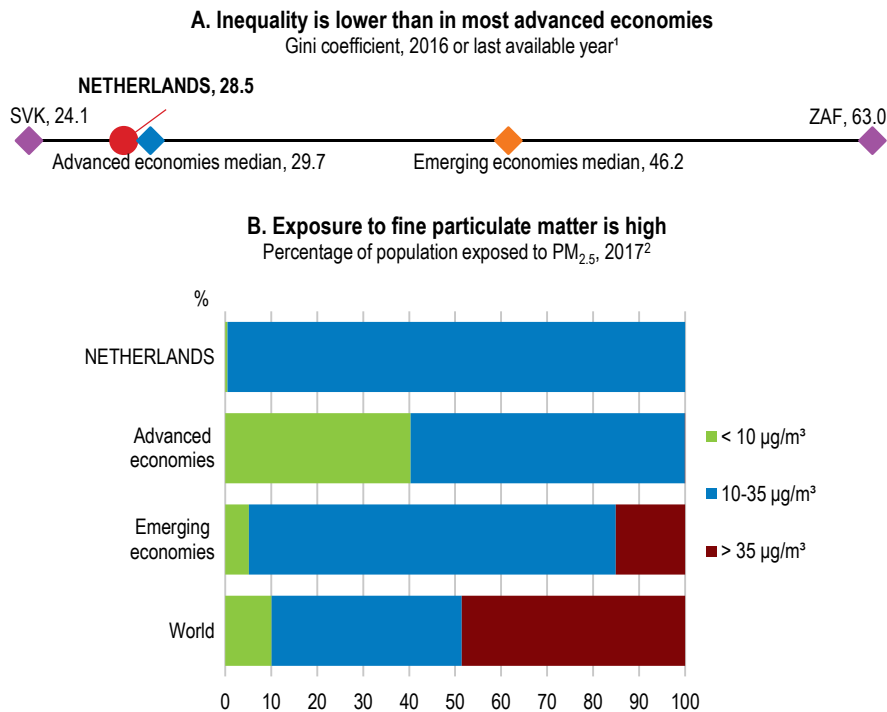
Policy indicators: Netherlands



Source: Panel A: OECD, Main Science and Technology Indicators and R&D Tax Incentives Databases; Panel B: OECD, Taxing Wages Database.

StatLink <https://doi.org/10.1787/888933956073>

Beyond GDP per capita: Netherlands



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956947>

Netherlands: *Going for Growth 2019* priorities

Lower marginal effective tax rates on labour income and improve the fairness of labour taxation.

High marginal effective tax rates hinder work incentives of low-income households and second-income earners.

- **Actions taken:** The taxation of personal income will be adjusted in 2019 from three to two tax brackets, resulting in a lower effective tax rate for most households. In 2018, the general tax credit was increased for lower-income earners and the tax credit for all employed persons was raised.
- **Recommendations:** Continue to lower the marginal effective tax wedge on labour income, particularly for low-income earners, for example by lowering social security expenses. Phase out the permanent self-employment tax deduction.

Ease employment protection for permanent contracts and reduce the discrepancies in protection across different types of work. The stringent employment protection legislation increases the prevalence of low-security temporary contracts and, together with tax incentives, pushes workers towards self-employment.

- **Actions taken:** Starting 2020, the applicable period for severance pay will be changed to begin on the first day of employment, giving temporary contract workers more similar protection to those on permanent contracts. Also starting 2020, the dismissal approval requirements will be adjusted to make dismissals marginally easier
- **Recommendations:** Continue to lower the cap on severance payments and ensure that the dismissal system works efficiently to encourage the use of permanent contracts.

Better target active labour market policies. Public employment services play a limited role in providing job support and decentralised service delivery entails different levels of support across regions.

- **Actions taken:** The public employment services provider will receive increased funding to deliver targeted services for workers currently receiving disability benefits and improved personal coaching to unemployed benefit holders starting 2018. Funding to municipalities to provide targeted activation and support programs has been bolstered.
- **Recommendations:** Improve the targeting of employment support policies for vulnerable groups. Work towards a more coordinated approach in implementing activation policies across regions, in particular by promoting inter-regional mobility.

Increase the scope of the unregulated part of the house rental market. The rigid housing market hinders labour mobility, generating congestion and hampering housing investment and productivity

- **Actions taken:** The reduction in mortgage interest tax relief was accelerated considerably and the tax on imputed rent has been lowered starting in 2018, which reduces the incentives for home ownership. From 2018, the approval procedure has been simplified and constraints removed for housing corporations which want to rent on the private market. Starting 2021, municipalities will have more control over zoning and the planning of the private rental market.
- **Recommendations:** Support the supply of rental housing by further limiting rent regulation in the private market and increasing the weight of the property value in setting the maximum initial rent. Introduce tighter income conditions for social housing eligibility.

Increase direct public support for R&D. Private spending on R&D is low and public support is skewed towards tax incentives.

- **Actions taken:** Additional spending is earmarked from 2018 onwards to promote the National Science Agenda through spending on universities, colleges and other knowledge institutions. Public funding to improve the digital infrastructure and to encourage participation in collaborative research at the global level has also been marginally increased from 2018 onwards.
- **Recommendations:** Complement the well-designed tax incentives with more direct funding such as grants, loans and procurement to better cater to the various needs of businesses and ideas in different sectors and in different stages of development.

New Zealand

GDP per capita is a quarter below the average of the most advanced OECD countries, reflecting an even larger shortfall in labour productivity. The GDP per capita and labour productivity gaps have been fairly stable over the past decade. The employment rate is relatively high and has been increasing since 2012.

Income inequality is higher than the OECD average and has increased since 2012. Greenhouse gas emissions per capita are higher than the OECD average and have edged up since 2012. Exposure to air pollution is very low.

Measures to increase the supply of affordable and social housing have been introduced and public transit projects have been expanded to enhance housing affordability and reduce congestion. The government has appointed a taskforce to make recommendations to improve efficiency and equity in schools.

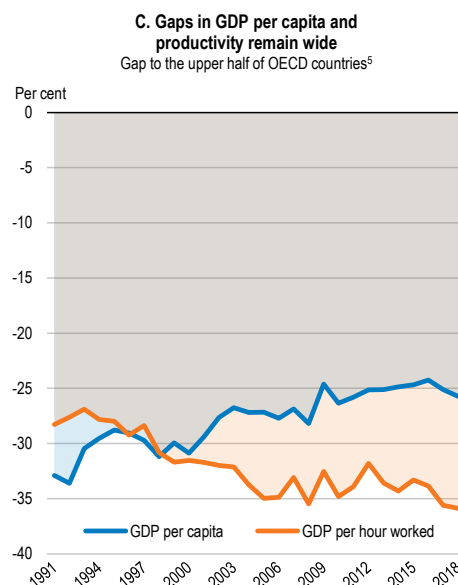
Making the FDI screening process more transparent could help integrate domestic firms in global supply chains. Reducing regulatory and infrastructure barriers to housing densification would enhance affordability and reduce congestion. Further increasing the supply of affordable and social housing and increasing transfers to low-income families would reduce child poverty, enhancing equality of opportunities. Enhancing school board skills in disadvantaged areas would help to improve education outcomes and equity. Expanding training to reduce teacher bias would improve Māori and Pasifika achievement. Increasing the R&D tax credit and making it refundable would help boost innovation.

Growth performance, inequality and environment indicators: New Zealand

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.7 | 1.4 |
| Labour utilisation | 1.2 | 1.3 |
| of which: Labour force participation rate | 0.6 | 1.0 |
| Employment rate ¹ | 0.2 | 0.4 |
| Employment coefficient ² | 0.3 | -0.1 |
| Labour productivity | 0.3 | 0.1 |
| of which: Capital deepening | 0.5 | 0.0 |
| Total factor productivity | -0.2 | 0.1 |
| Dependency ratio | 0.2 | 0.0 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2014 | 2012-14 |
| Gini coefficient ³ | 34.9 (31.7)* | 0.8 (0)* |
| Share of national disposable income held by the poorest 20% | 7.3 (7.6)* | -0.2 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 11.8 (10.9)* | 12 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.3 (0.3)* | 0.4 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.2 | 0.2 |

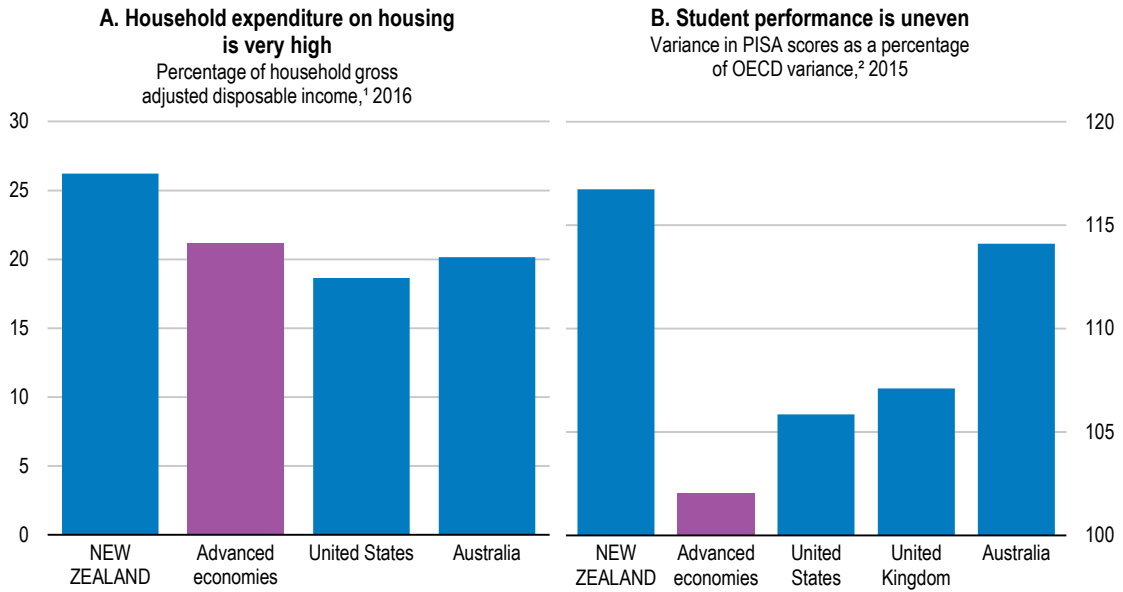
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

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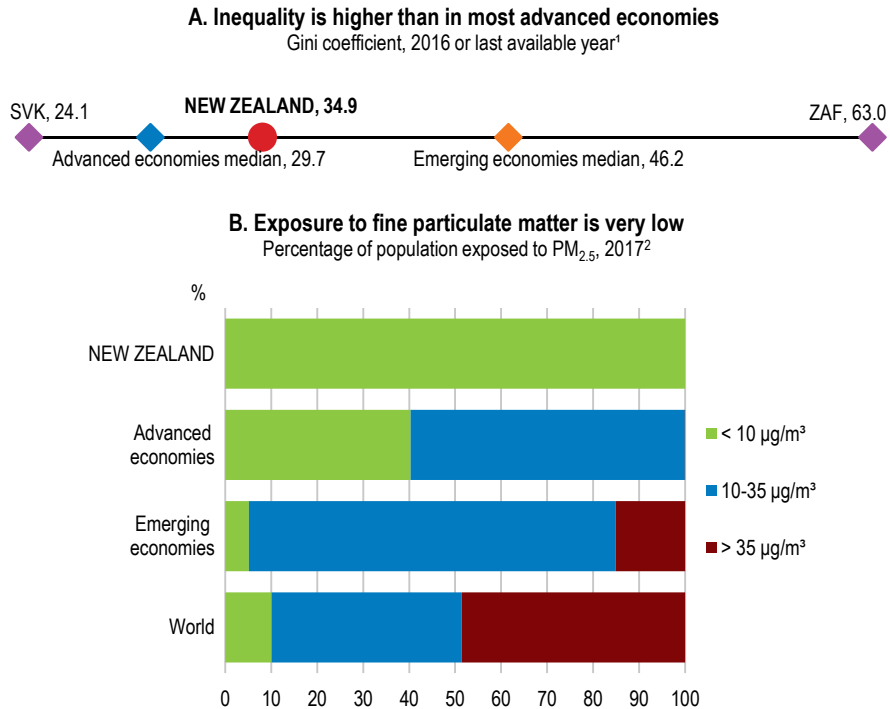
Policy indicators: New Zealand



Source: Panel A: OECD, Better Life Index 2019; Panel B: OECD, PISA Database.

StatLink <https://doi.org/10.1787/888933956092>

Beyond GDP per capita: New Zealand



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956966>

New Zealand: *Going for Growth 2019* priorities

Reduce barriers to FDI and trade and to competition in network sectors. Non-transparent screening, barriers to trade facilitation and competition in network sectors deter investment and hinder the competitiveness of downstream firms.

- **Actions taken:** No action taken.
- **Recommendations:** Ease FDI screening requirements, clarify criteria for meeting the net national benefit test and remove ministerial discretion in their application. Encourage more extensive use of advance rulings on imports. Sell remaining government shareholdings in electricity generators and Air New Zealand. Subject airports to price regulation.

Improve housing policies. Restrictive land-use policies reduce housing supply responsiveness to demand, accentuating price increases when demand rises.

- **Actions taken:** Further large urban transport projects have been launched in 2018, supporting greater densification, and road fuel taxes have been increased to help pay for it. The government has started building affordable houses for re-sale and increasing the supply of social housing. Foreign demand for residential property has been curtailed since the entry into force in October 2018 of a law prohibiting the purchase of existing residential property by foreigners other than Australians and Singaporeans.
- **Recommendations:** Adopt different regulatory approaches for the natural and built environments. Make the planning system more responsive in the provision of key infrastructure. Implement road pricing to reduce urban congestion and diversify urban infrastructure funding sources. Ensure that restrictions on foreign ownership do not hinder property development. Extend the holding period during which capital gains on residential property (other than the principal residence) are taxed from two to five years.

***Reduce child poverty.** Child poverty is higher than in the top performing countries. It has adverse effects on children's health and development.

- **Recommendations:** Build on The Families Package, which is estimated to reduce the child poverty rate (50% median income poverty line) from 13% to 8% by 2020/21, by further increasing low incomes to achieve the government's child poverty targets (including 5% on the above measure and 10% after housing costs) and expanding the supply of social housing. Enact legislation requiring governments to set targets for reductions in child poverty and report annually on progress.

Reduce educational underachievement among specific groups. Students from Māori, Pasifika and vulnerable socio-economic backgrounds have much poorer education outcomes than others.

- **Actions taken:** The government appointed a taskforce in April 2018 to recommend reforms to enhance efficiency and equity in the education system.
- **Recommendations:** Improve the quality of board oversight in schools with high concentrations of students from disadvantaged backgrounds. Expand training to reduce teacher bias entailing low expectations for Māori and Pasifika achievement. Better target early childhood education on groups with low participation and improve quality. To improve the school-to-work transition, enhance the quality of teaching, careers advice and pathways. Facilitate participation of disadvantaged youth in training and apprenticeships.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Raise effectiveness of R&D support. Relatively low public funding of business R&D contributes to below average R&D intensity.

- **Actions taken:** The government announced that R&D growth grants (20% of eligible expenditure) will be replaced by an R&D tax credit (12.5% of eligible expenditure, compared with tax offsets of 38.5-43.5% in Australia) from April 2019, leaving expected budget costs broadly unchanged.
- **Recommendations:** Further boost support for business R&D investment, notably by increasing the R&D tax credit to a more internationally competitive rate, to help lift R&D expenditure to the 2% of GDP target by 2027. Make the tax credit refundable so that firms that are not yet profitable can benefit. Evaluate remaining grant programmes. Co-ordinate immigration and education policies with business skills needs for innovation.

Norway

GDP per capita is among the highest in OECD, both in terms of total and mainland GDP. However, growth in GDP per capita has slowed in recent years due to declining labour utilisation.

Inequality, as measured by the Gini coefficient, remains well below the OECD average, but has increased in recent years. The share of national income going to the poorest surpasses the OECD average. Greenhouse gas emissions per capita are below the OECD average, but have failed to decrease over the past two decades.

Progress on 2017 priority areas includes further reduction of the tax burden and a shift in the tax mix from income taxation towards VAT; education reform; measures to curb policy-induced early retirement; and progress in reforming support for the agricultural sector. Norway's priority to increase competition in product markets, particularly to reduce the high public ownership, has been dropped, though this issue should remain on watch.

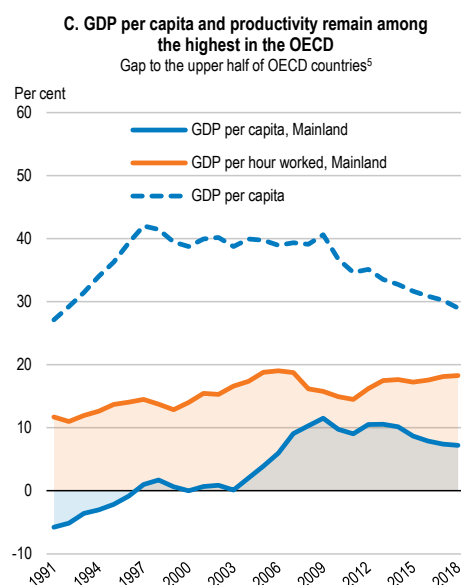
Sustaining Norway's high and inclusive living standards through substantial redistribution and high wages requires further efforts to cut back tax burdens and maximise the efficiency of public spending, such as in public-infrastructure investment (included as a new priority) and agricultural support. Strengthening educational outcomes and removing disincentives to work at older age are key to maintain the economy's competitiveness in light of its high labour costs.

Growth performance, inequality and environment indicators: Norway

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 3.0 | 0.9 |
| Labour utilisation | 0.8 | -0.2 |
| of which: Labour force participation rate | 0.4 | -0.4 |
| Employment rate ¹ | 0.2 | -0.1 |
| Employment coefficient ² | 0.2 | 0.3 |
| Labour productivity | 2.0 | 0.9 |
| of which: Capital deepening | 0.2 | 0.3 |
| Total factor productivity | 1.7 | 0.6 |
| Dependency ratio | 0.3 | 0.2 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2017 | 2013-17 |
| Gini coefficient ³ | 26.2 (31.7)* | 0.2 (0)* |
| Share of national disposable income held by the poorest 20% | 8.9 (7.6)* | -0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 5.5 (10.9)* | 5.6 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.1 (0.3)* | 0.1 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.1 | 0.2 |

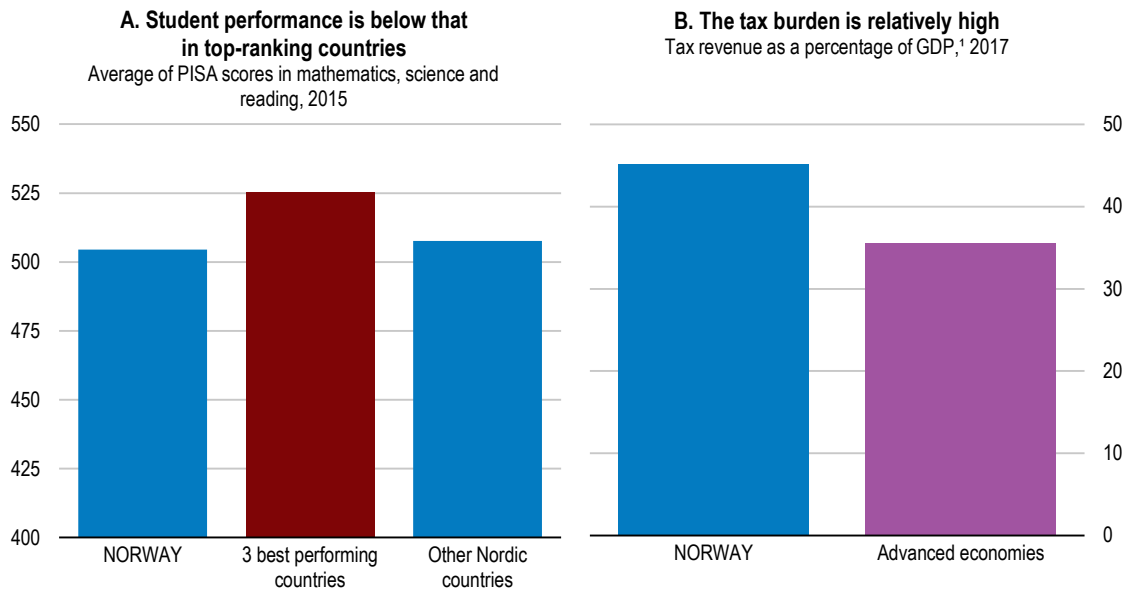
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink  <https://doi.org/10.1787/888933955237>

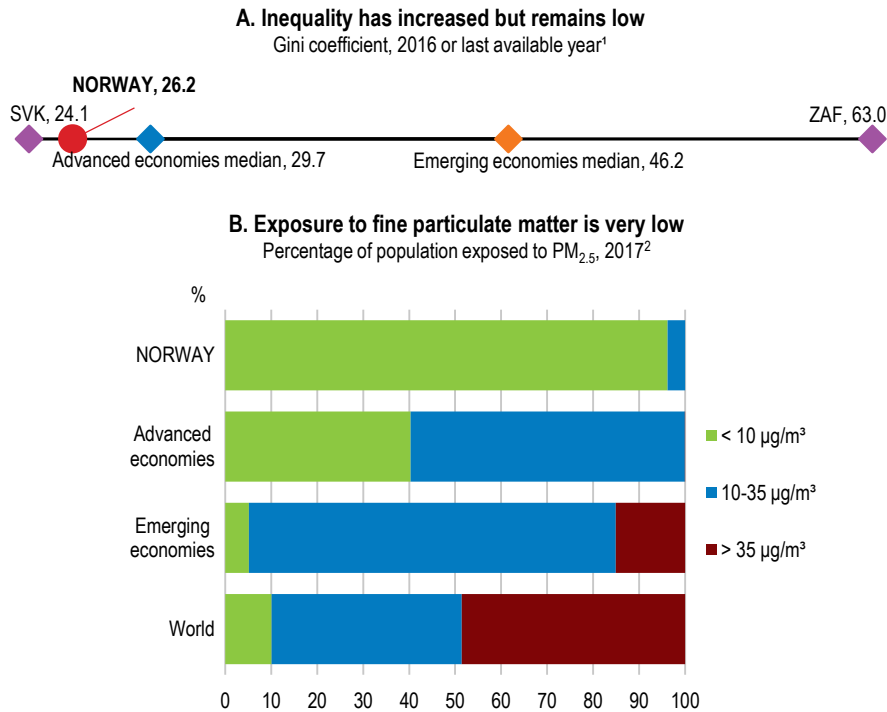
Policy indicators: Norway



Source: Panel A: OECD, PISA Database; Panel B: OECD, Revenue Statistics Database.

StatLink <https://doi.org/10.1787/888933956111>

Beyond GDP per capita: Norway



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933956985>

Norway: Going for Growth 2019 priorities

Lower the tax burden and shift the mix. Lower taxation as a share of GDP and a shift towards indirect taxation would encourage business enterprise and productivity growth.

- **Actions taken:** Measures have included lowering of the corporate-tax rate from 24% to 23% in 2018 (with a parallel cut in the ordinary rate of personal income tax). The lowest value-added tax rate was further increased, from 10% to 12% in 2018.
- **Recommendations:** Proceed with plans for further tax-rate cuts, while broadening the tax base through, for instance, additional measures to counter base erosion and profit shifting. In addition, make greater use of property taxation and consumption taxes.

Strengthen education. Performance in secondary education is middle ranking and completion rates in upper secondary vocational and tertiary education are low.

- **Actions taken:** Curriculum overhaul is underway in primary and secondary schooling and a programme to improve the status and quality of teachers continues. In higher education, a series of mergers was completed in 2017 and a three-phase performance agreement process is underway.
- **Recommendations:** Monitor closely, and adjust if needed, the outcomes of the new measures for teachers. Reduce the number of schools to achieve economies of scale. Raise school and teacher accountability. Include the graduation rates in the formula for performance-based funding for higher education. Link further student support to completions.

Reduce policy-induced early retirement. Sickness leave and disability benefits still serve as pathways to early retirement along with biases in the public-sector pension system.

- **Actions taken:** Following a stakeholder agreement in March 2018, a public-sector pension reform is underway that will reduce incentives for early-retirement. Other reforms include new guidance for doctors on sick leave (2017) and new rules on eligibility for the Work Assessment Allowance (2018).
- **Recommendations:** Ensure the pension reforms are not diluted by concessions for certain groups. Further tighten access to sickness and disability schemes through more “third party” assessment and stronger enforcement of back-to-work plans. Consider reducing the generosity of payment for long-term sickness absence and lengthen the employer-financed phase of sick leave.

Reduce producer support to agriculture. The highly protected agriculture sector discourages the efficient use of resources and exemplifies inefficient public spending.

- **Actions taken:** Protective clauses for forestry-based farms and small farms have been removed in 2017. More ambitious proposals to free-up price setting and permit corporate ownership did not pass through parliament.
- **Recommendations:** Put import tariffs and cash subsidies for farmers on a downward trajectory and remove legislative biases that favour agriculture. Strengthen the links between policy objectives and pay-outs for cultural and environmental support mechanisms.

***Improve project selection in transport infrastructure.** Too many projects go ahead that rank poorly on economic criteria.

- **Recommendations:** Strengthen the influence of cost-benefit analysis in project selection and improve checks against cost inflation after projects are selected.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Poland

Convergence to higher living standards has continued steadily, driven by strong labour productivity growth and increasing labour utilisation. The unemployment rate is at a record low level, however, the employment rate remains below the OECD average, particularly for women and older workers.

Inequality, as measured by the Gini coefficient, is below the OECD average and has declined in recent years as a wide range of households have benefitted from the labour market recovery, and the large family benefits introduced in 2016 have helped to bring down child poverty. Greenhouse gas emissions per capita are slightly below the OECD average, but population exposure to air pollution is elevated leading to adverse effects on public health.

The government stepped up support for innovation and new social benefits have helped to bring down poverty. The authorities introduced business simplification measures and aim to improve the clarity of tax regulations.

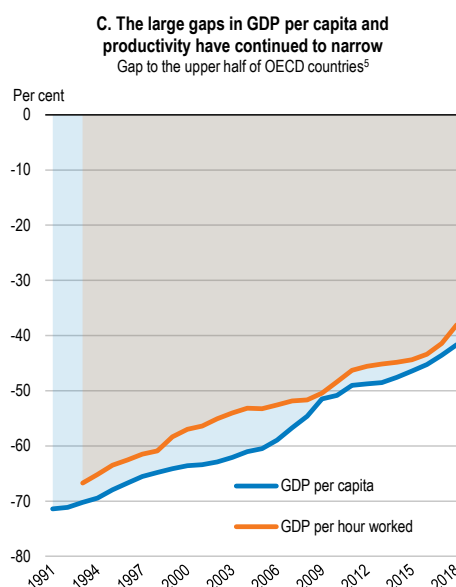
Strengthening efforts to make pensioners aware of the benefits of working longer would lower old-age poverty risks, especially among women. Investing further in early childcare facilities would support women's employment and attenuate the growth-inhibiting impact of population ageing. Increasing environmental taxes would provide stronger incentives to invest in green infrastructure, while developing a national skills strategy with strong basic and digital skills components would promote strong and inclusive long-term growth.

Growth performance, inequality and environment indicators: Poland

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 5.0 | 3.6 |
| Labour utilisation | 2.0 | 1.0 |
| of which: Labour force participation rate | -0.4 | -0.1 |
| Employment rate ¹ | 2.5 | 1.1 |
| Employment coefficient ² | 0.0 | 0.0 |
| Labour productivity | 2.6 | 2.6 |
| of which: Capital deepening | 0.4 | 0.8 |
| Total factor productivity | 2.2 | 1.8 |
| Dependency ratio | 0.3 | 0.0 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 28.4 (31.7)* | -0.5 (0)* |
| Share of national disposable income held by the poorest 20% | 8.4 (7.6)* | 0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 9.6 (10.9)* | 9.4 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.4 (0.3)* | 0.4 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.8 | 0.9 |

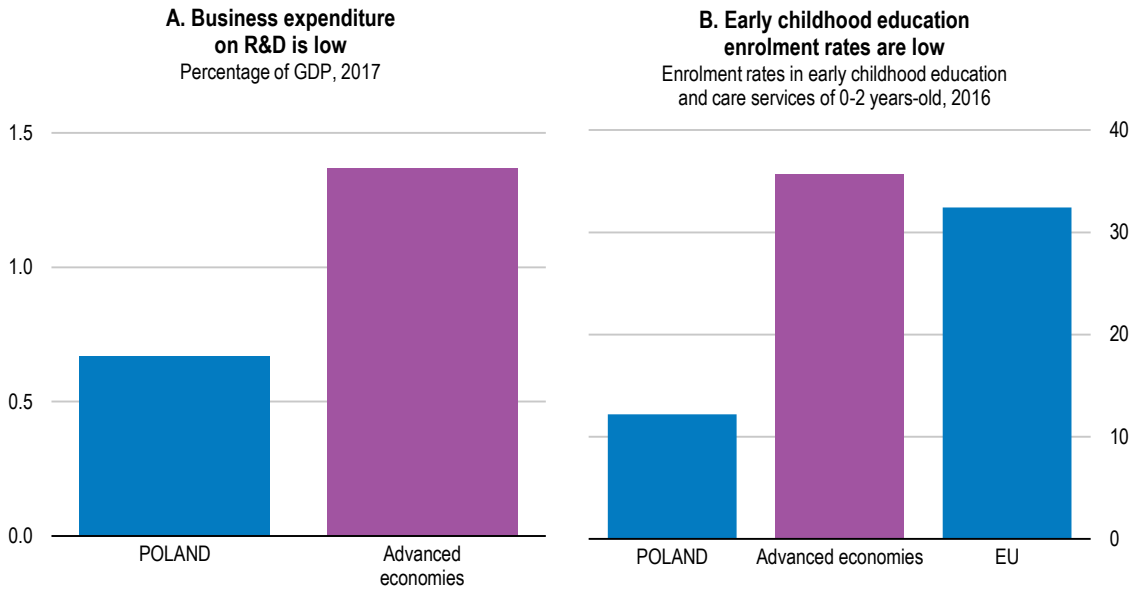
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink  <https://doi.org/10.1787/888933955256>

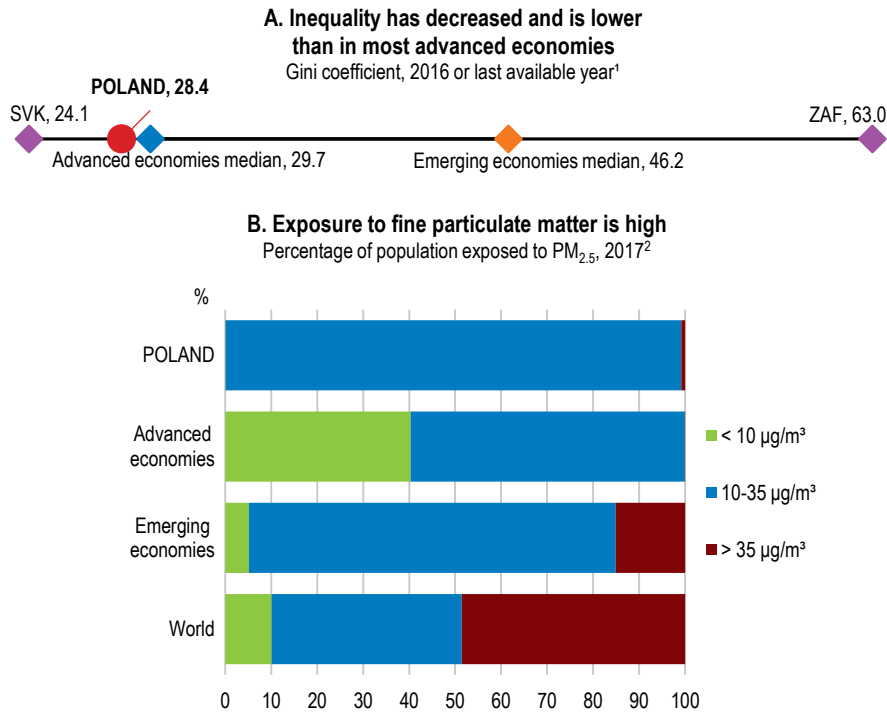
Policy indicators: Poland



Source: Panel A: OECD, Main Science and Technology Indicators Database; Panel B: OECD, Family Database.

StatLink <https://doi.org/10.1787/888933956130>

Beyond GDP per capita: Poland



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933957004>

Poland: *Going for Growth 2019* priorities

Lower barriers to product market competition. Stringent entry regulations and heavy administrative burdens on start-ups induce significant resource misallocation, and public ownership remains pervasive in many sectors.

- **Actions taken:** The government has streamlined some business regulations in 2018. Key measures include an increase in the annual income eligible for the status of small taxpayer to EUR 2 million (from EUR 1.2 million). Natural persons with a turnover below 50% of the minimum wage will no longer be required to register. Start-ups will benefit from a six-month exemption from social contributions and reduced rates for up to two years. Ministries will be required to publish simple explanations of administrative rules and tax laws. The 2018 inheritance law aims at ensuring business continuity after the entrepreneur's death. From 2019, low-income self-employed pay lower social security contributions for up to three years. The corporate income tax rate for SMEs was also cut from 15% to 9% in 2019 and the government intends to take additional measures to simplify their VAT payments.
- **Recommendations:** Further reduce administrative burdens and other regulatory barriers to firm entry. Include a simplification component for SMEs to the government's tax compliance strategy. Ensure the full independence of the sectoral regulators, and pursue privatisation in competitive segments of the economy.

Reform the welfare system and reduce labour taxes. Some taxes and transfers hold back employment, especially for older and low-skilled workers, and encourage the use of temporary contracts.

- **Actions taken:** The statutory retirement age was reduced to 60 for women and 65 for men in 2017. A network of pension advisors has been set up to inform potential beneficiaries about the impact of combining pensions and work income. Since 2017, the tax-free allowance of the personal income tax is higher for low-income individuals. The personal income tax of individuals earning over PLN 1 million increased in 2019. The government also intends to make its child benefit programme universal in 2019.
- **Recommendations:** Evaluate the fiscal and employment effect of the extension of the 2016 child benefit programme. Strengthen efforts to inform the public about the impact of working longer on pension income, evaluate the pension reform's effects, and make corrections such as aligning male and female retirement ages and indexing them to life expectancy. Make the personal income tax more progressive, e.g. by introducing a lower initial and intermediate tax brackets and ending the preferential tax treatment of the self-employed. Continue to better align social contributions applying to different labour contracts, and move towards individual taxation.

Improve the efficiency and equity of education. Deficiencies in basic skills, particularly of older generations, hinder productivity and equity. Funding for higher education is relatively low, and the limited availability of early childcare facilities holds back women's employment.

- **Actions taken:** Places in early childhood education and care have increased, and funding for the development of childcare institutions rose in 2018. Funding for the higher education system also increased in 2018. The 2018 law on higher education and science encourages universities to co-operate and promotes industry-science collaboration. Sectoral skills councils are being set up with business representatives to define skills needs and to offer work placements for vocational students.
- **Recommendations:** Invest more in early childcare facilities. Develop a basic skills strategy with a strong focus on digital skills. Incentivise employers to develop workplace-based vocational education and adult training. Continue to increase funding for higher education and research, to

merge small universities and independent research institutes to build strong research universities, and to allow underperforming institutions that do not improve over time to shut down.

Make energy infrastructure greener. Regulatory instability has hampered the development of renewable energy and other technologies that would improve environmental and health outcomes.

- **Actions taken:** In 2018, the government has launched a programme to bolster energy efficiency of residential buildings and boost the purchases of cleaner heating systems (Clean Air programme). The government defined quality requirements for solid fuels, and announced a freeze in households' electricity price in 2019. The transition from green certificates to auctions guaranteeing prices as a new support mechanism for electricity generators has taken several years, and a lack of clarity about volumes, reference prices and support periods for future auctions has created much uncertainty. An electricity capacity market will be operational in 2019. The government also strengthened the powers and funding of the environmental inspection in 2018.
- **Recommendations:** Develop and implement clear stable climate-change policies aligned with European and international objectives to reduce uncertainty for innovative green investments. Strengthen environmentally related taxes and continue to improve enforcement of environmental rules. Reform tax incentives to foster the demand for innovative and green investments by raising taxes on fossil fuels to help finance investment in, and the demand for, green innovation.

Improve R&D support policies. The weak diffusion of innovation reduces productivity growth.

- **Actions taken:** The R&D tax allowance was increased in 2018 and the list of eligible costs has been clarified. Programmes for supporting innovative start-ups at various stages of development are being set up. Training programmes designed at boosting management practices regarding innovation are being implemented.
- **Recommendations:** Improve stability and impact assessment of public support for innovation by making more extensive use of impact analyses, notably by engaging with stakeholders in *ex ante* consultative processes and *ex post* evaluations. Enhance industry-science collaboration, notably by ensuring sufficient funding for technology transfer offices, and encouraging mergers of offices from different universities. If the take-up of the new R&D tax allowance is low among small innovative firms, adjust its provisions. Plan for national financing of business R&D and innovation programmes beyond the current EU multiannual financial framework.

Portugal

After a deep and long recession, the catch up in GDP per capita relative to the upper half of OECD countries has improved. Employment has been recovering strongly, but total factor productivity growth remains low and the income gap to the upper half of OECD countries remains large.

Inequality remains high and the share of national disposable income held by the poorest 20% of the population is just below the OECD average. Greenhouse gas emissions, either relative to the size of the population or the size of the economy, are lower than the OECD average.

Portugal has registered a reduction in the corporate debt burden in recent years, but the indebtedness level remains high, hampering a higher rate of economic growth. A plan has been outlined that aims to raise computer literacy and to increase the proportion of the population with internet access, but low levels of educational attainment in the workforce remains a challenge more generally. Initiatives aimed at improving innovation collaboration between the public and private sectors, including through the establishment of “collaborative laboratories”, are also underway.

Improving the efficiency of the tax system should be a key priority given the need to reduce the stock of public debt. This includes reducing exemptions and special rates under the consumption tax and increasing the share of property taxes in the tax mix. The design of such reforms should ensure that the progressivity of the tax system is not eroded.

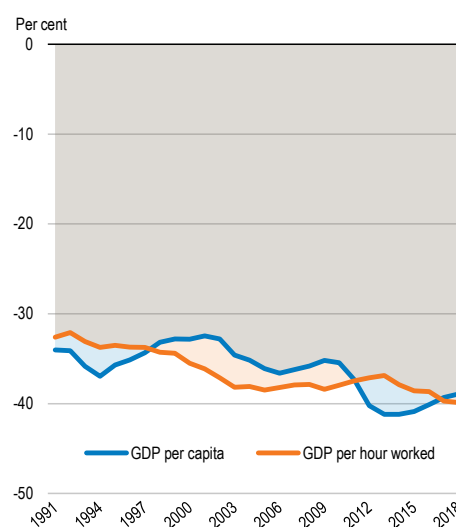
Growth performance, inequality and environment indicators: Portugal

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 0.8 | 1.8 |
| Labour utilisation | -0.3 | 1.5 |
| of which: Labour force participation rate | 0.3 | -0.1 |
| Employment rate ¹ | -0.5 | 1.6 |
| Employment coefficient ² | -0.1 | 0.0 |
| Labour productivity | 1.2 | 0.2 |
| of which: Capital deepening | 1.5 | -0.1 |
| Total factor productivity | -0.3 | 0.3 |
| Dependency ratio | -0.1 | 0.0 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 33.1 (31.7)* | -0.3 (0)* |
| Share of national disposable income held by the poorest 20% | 7.3 (7.6)* | 0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 6 (10.9)* | 5.6 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.2 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.1 | 0.1 |

* OECD simple average (weighted average for emissions data)

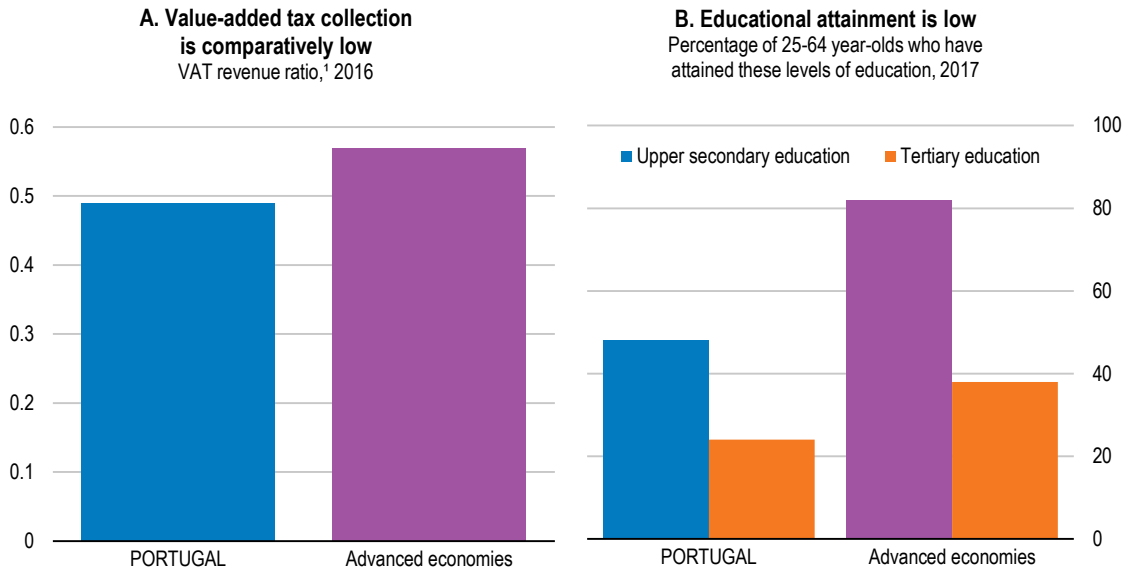
C. The gap in GDP per capita is narrowing slowly
Gap to the upper half of OECD countries⁵



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

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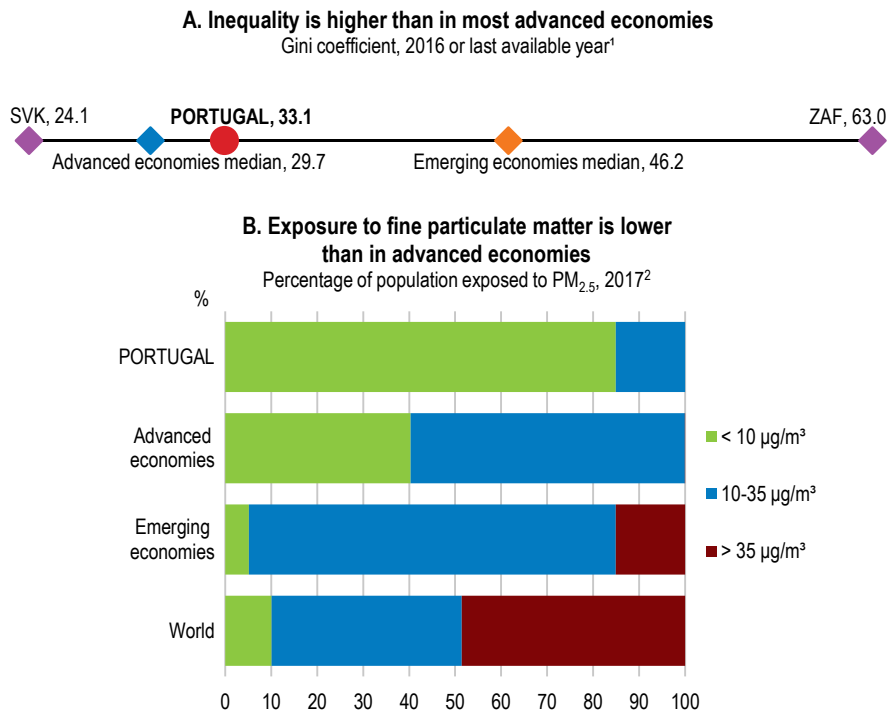
Policy indicators: Portugal



Source: Panel A: OECD (2018), Consumption Tax Trends 2018: VAT/GST and Excise Rates, Trends and Policy Issues, Consumption Tax Trends; Panel B: OECD, Education at a Glance Database.

StatLink <https://doi.org/10.1787/888933956149>

Beyond GDP per capita: Portugal



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933957023>

Portugal: Going for Growth 2019 priorities

Reduce corporate debt overhang. Bank profitability and solvency is negatively impacted by the high stock of non-performing loans that remain on their balance sheets. Inefficiencies in the legal system hamper the swift resolution of non-performing loans, reducing the lending capacity of banks.

- **Actions taken:** In 2017, NPL reduction plans were submitted by three banks with a high stock of non-performing loans to regulators. A platform for integrated management of bank loans was established in 2018 to manage the negotiation of non-performing loan claims and guarantees on behalf of three major Portuguese lenders.
- **Recommendations:** Continue to monitor the non-performing loan reduction plans of banks and translate performance in achieving reduction targets into capital requirements. Make bankruptcy a viable solution for heavily indebted individuals, reducing the time to discharge and exempting more of the debtor's assets from bankruptcy proceedings. Introduce an out-of-court mechanism to facilitate the liquidation of non-viable firms.

Improve equity and outcomes in education. Improving educational attainment will raise the skills of the labour force and strengthen productivity. It will also foster the creation of higher quality jobs and improve equity and well-being.

- **Actions taken:** A national initiative on digital competencies (INCoDe.2030) was launched in 2017 to enhance the digital skills of the population and to ensure that every Portuguese household has internet access by 2030.
- **Recommendations:** Provide more, earlier and individualised support to students at risk of falling behind to reduce grade repetition and drop-out rates. Improve teaching quality by strengthening teachers' and school principals' training and exposure to best practices. Create incentives to attract the most experienced teachers to disadvantaged schools. Consolidate vocational education and training (VET) into a single system that includes workplace training of good quality. Streamline the supply of VET courses and improve its alignment with labour market needs through better career guidance and enhanced monitoring of labour market outcomes. Provide more autonomy to schools, including for adjusting class size to students' profile and in retaining good teachers.

Strengthen the link between research and business. Stronger links between public sector research and the private sector would boost the development of new technology-intensive products as well as process innovations. This would contribute to the creation of more high-skilled jobs and strengthen the competitiveness of the tradable sector.

- **Actions taken:** Under the *Interface Programme*, launched in 2017, the government is promoting research collaboration between science, technology and higher education institutions and the business sector. This is partly through the introduction of "Collaborative Laboratories" and "Interface Centres" that support research activities which involve collaborations between companies and public sector research institutions. The programme also includes the recognition of 20 sectoral clusters that aim to promote knowledge sharing among companies, higher education and research institutions and "Clubs of Suppliers" that encourage companies, especially SMEs, to participate in international value chains.
- **Recommendations:** Create career incentives for academics to co-operate with the private sector, including through the pursuit of dual careers. Continue to support intermediary organisations that focus on fostering innovation collaboration for small and medium enterprises. To support business innovation further, consider reforming the R&D tax incentive to allow unused tax credits to be indefinitely carried forward or cash refunds of R&D tax credits.

Strengthen competition in non-manufacturing sectors. Strengthening competition would lower input prices and bolster export competitiveness and productivity.

- **Actions taken:** No action taken
- **Recommendations:** Reduce entry barriers in regulated professions and monitor entry and price regulation by professional bodies to safeguard competition. Reconsider exclusive rights for certain tasks, remaining nationality requirements and restrictions on the form of business. Renegotiate existing port concessions and undertake new public tender processes to ensure that lower port labour costs translate into lower port user costs. Further reduce the scope of application of legacy remuneration schemes in the energy sector through renegotiations with incumbent companies.

***Improve the efficiency of the tax structure.** The share of property taxes in the tax mix is low, while consumption taxes are subject to numerous exemptions and reduced rates which reduce efficiency and undermine public finance sustainability.

- **Recommendations:** Reduce consumption tax exemptions and special rates. Increase the share of less distortionary forms of taxation, such as property taxes, in the tax mix.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Russian Federation

More than ten years after the crisis, the Russian economy is growing slowly and the gap in GDP per capita with respect to the upper half of OECD countries persists. Rapid ageing and a productivity growth decline are hardly compensated by investment and improved labour market participation.

Real household income growth is sluggish and poverty remains high. Widespread exposure to ambient air pollution and poor water quality have important health consequences. Poor energy efficiency causes high greenhouse gas emissions and weighs on the performance of the energy sector.

The fiscal framework has improved with the adoption of the new fiscal rule in 2017. On the other hand, state control in the economy has increased, particularly in the energy and financial sectors. Barriers to foreign investment remain high and the transparency of the public administration is weak. Public support to R&D still fails to foster business innovation.

Reducing government ownership and policies to improve innovation at the firm level could boost entrepreneurship, productivity and growth. Lifting the barriers to foreign investment and restrictions in trade in services, particularly in transport and logistics, would enhance competition and productivity. Public administration quality and efficiency need to be improved. The tax and transfer system needs to better address inequality and poverty.

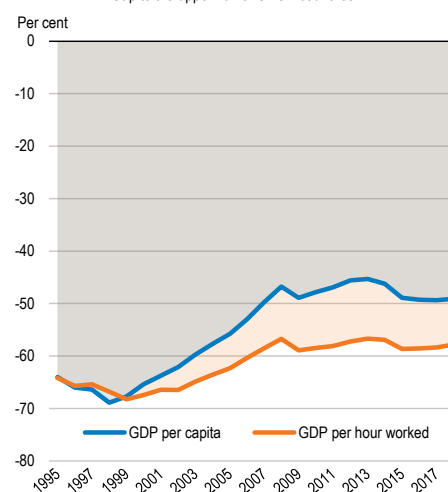
Growth performance, inequality and environment indicators: Russian Federation

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 7.4 | 0.3 |
| Labour utilisation | 1.0 | 0.4 |
| of which: Labour force participation rate | 0.7 | 0.3 |
| Employment rate ¹ | 0.3 | 0.1 |
| Employment coefficient ² | 0.0 | 0.0 |
| Labour productivity | 6.0 | 0.5 |
| of which: Capital deepening | 1.3 | 1.1 |
| Total factor productivity | 4.6 | -0.6 |
| Dependency ratio | 0.3 | -0.6 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2015 | 2013-15 |
| Gini coefficient ³ | 37.7 (31.7)* | -1.6 (0)* |
| Share of national disposable income held by the poorest 20% | 6.9 (7.6)* | 0.3 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 13.7 (10.9)* | 13.9 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.6 (0.3)* | 0.6 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 4.6 | 4.8 |

* OECD simple average (weighted average for emissions data)

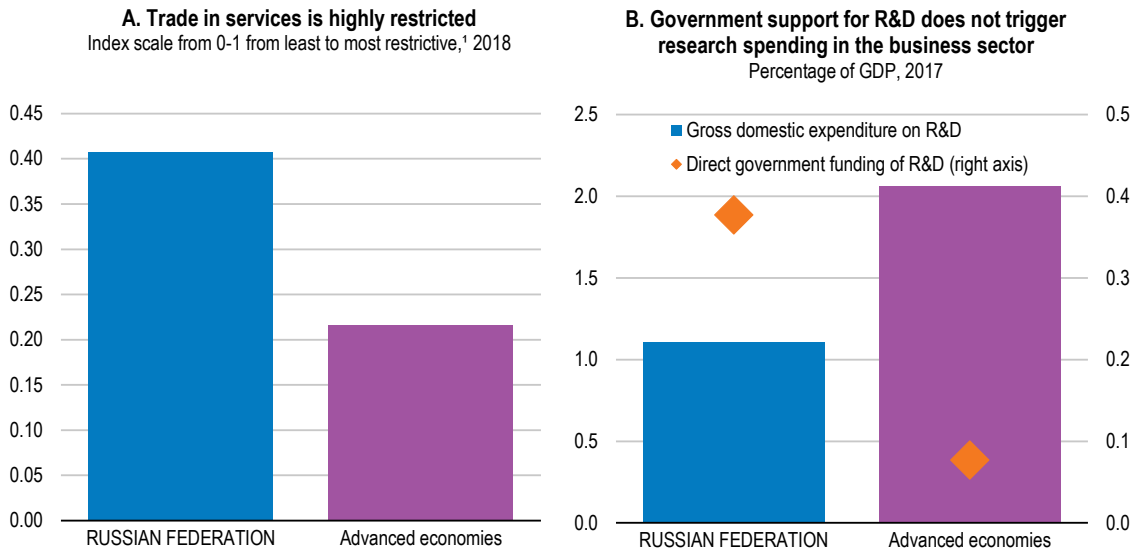
C. The large gaps in GDP per capita and productivity are stable
Gap to the upper half of OECD countries⁵



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases and World Bank, World Development Indicators (WDI) Database; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases; The Conference Board Total Economy Database.

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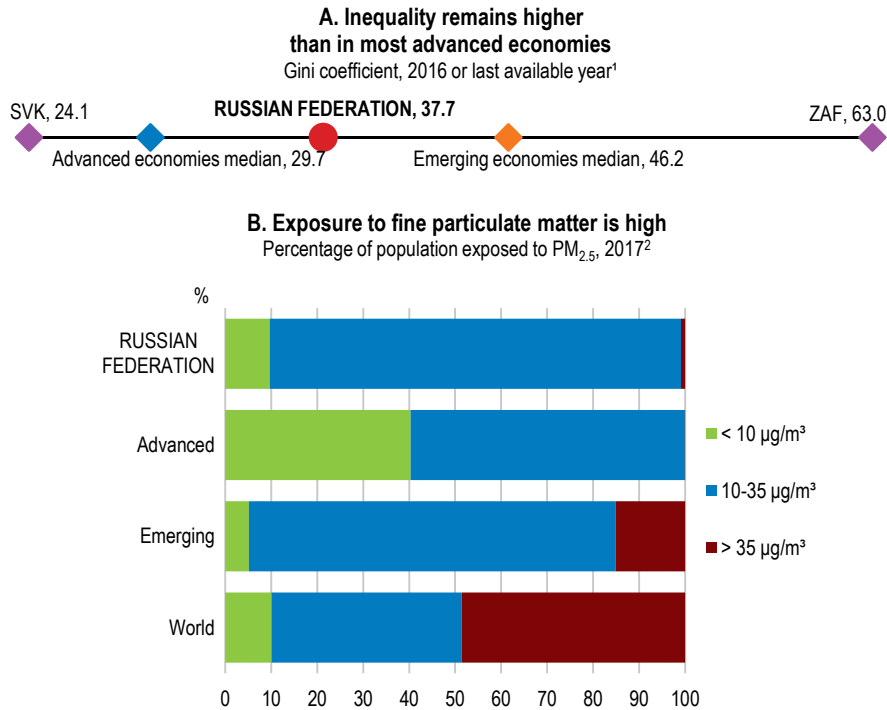
Policy indicators: Russian Federation



Source: Panel A: OECD, Services Trade Restrictions Database; Panel B: OECD, Main Science and Technology Indicators Database.

StatLink <https://doi.org/10.1787/888933956168>

Beyond GDP per capita: Russian Federation



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933957042>

Russian Federation: *Going for Growth 2019* priorities

Reduce state control over economic activity and other barriers to competition. State-owned companies are predominant in key sectors such as energy and banking and limit modernisation and good management. Restrictive product market regulation reduces competition and innovation.

- **Actions taken:** No actions taken. Part of the state-owned oil company (Rosneft) has been privatised in December 2016. Yet overall privatisations have virtually stalled, as the budget deficit pressure eased with the rebound of the economy in 2017.
- **Recommendations:** Reboot the privatisation of state-owned enterprises. Reform banking sector regulation to establish a level playing field between public and private banks and financial intermediaries.

Raise the quality of public administration. Efficient, accountable and transparent public administration is key to implement reforms that boost inclusive growth.

- **Actions taken:** Public administrations extended digitalisation with improved transparency and reductions in red tape in 2018. Single-window custom offices were opened in 2018. A substantial rise of public servants pay was introduced in January 2018, which will contribute to improve motivation and attractiveness of public administration jobs.
- **Recommendations:** Further increase civil servant pay to improve efficiency and reduce incentive for corruption. Invest in digital technologies to improve transparency. Boost the independence of the judiciary power to help protect private property and entrepreneurs and shelter citizens from arbitrary decisions. Protect whistle-blowers and independent media to reduce corruption.

Lower barriers to foreign direct investment and to trade in services. Several industrial and service sectors are subject to tight restrictions on FDI and trade, with negative consequences on competitiveness and growth.

- **Actions taken:** No action taken.
- **Recommendations:** The list of sectors that require special approval for foreign direct investment should be reduced. The transportation and logistics sectors should be open to foreign entrants to boost efficiency. Reduce regulatory uncertainty, in particular for foreign companies to improve the attractiveness of investing in Russia.

Raise the effectiveness of innovation policy. R&D and the diffusion of innovations are key to improve productivity and growth. However, private sector innovation performance is disappointing.

- **Actions taken:** Total spending on research and development has increased to around 1% of GDP, notably due to the extension of public-private partnerships.
- **Recommendations:** Continue broad-based public support to research. Strengthen partnership with the business sector. Use broad-based fiscal support for innovation and for the adoption of new technologies. Reduce disincentives to job mobility of workers of state owned research centres toward the business sector to further boost innovation and its diffusion.

Improve the quality of the public finances. Increasing revenues and improving spending efficiency and predictability as well as boosting public investment are key for sustained economic growth and inclusiveness.

- **Actions taken:** The fiscal rule introduced in 2017 helps shelter federal spending from oil price fluctuations. Property-based taxes will increase in the 2019 budget and new profit-based taxation is being gradually introduced this year to incentivise investment in the extraction sector.
- **Recommendations:** Continue the shift towards more property-based tax and taxation on profits in the extraction sector. Reduce social security contributions and increase the value added tax. Increase investment in infrastructure.

Slovak Republic

GDP per capita has been converging steadily towards the upper half of OECD countries, albeit at a slower pace since the crisis. The shortfall with respect to the best performing countries remains high, because of lagging productivity and low employment rates of older workers and young women.

Income distribution is relatively even compared to other advanced OECD countries. However, poverty is concentrated among marginalised Roma, who suffer from social and economic exclusion. Greenhouse gas emissions per capita remain well below the OECD average, but air pollution is high.

Some improvement has been achieved in the domain of public sector efficiency, thanks in particular to significantly better tax collection and the Value for Money initiative, which incorporates evidence-based analysis into policy making. Pre-school facilities continue to expand and free meals for children in their final year of nursery school were introduced.

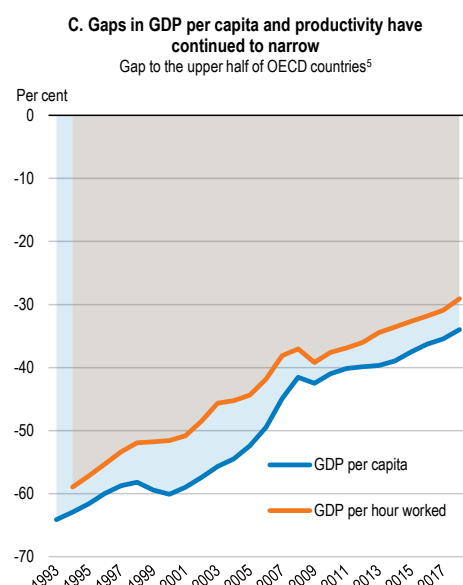
Public sector efficiency remains weak and pursuing its reform should be a top priority. Particular attention should focus on reforms in education and health care. This should be accompanied by policies enhancing integration of women in the labour market and the social inclusion of Roma.

Growth performance, inequality and environment indicators: Slovak Republic

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 7.0 | 3.0 |
| Labour utilisation | 1.2 | 1.5 |
| of which: Labour force participation rate | 0.0 | 0.2 |
| Employment rate ¹ | 1.8 | 1.4 |
| Employment coefficient ² | -0.6 | -0.1 |
| Labour productivity | 5.3 | 1.6 |
| of which: Capital deepening | 0.5 | 0.1 |
| Total factor productivity | 4.7 | 1.5 |
| Dependency ratio | 0.5 | -0.1 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 24.1 (31.7)* | -0.9 (0)* |
| Share of national disposable income held by the poorest 20% | 9.1 (7.6)* | 0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 6.3 (10.9)* | 6.6 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.2 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.1 | 0.1 |

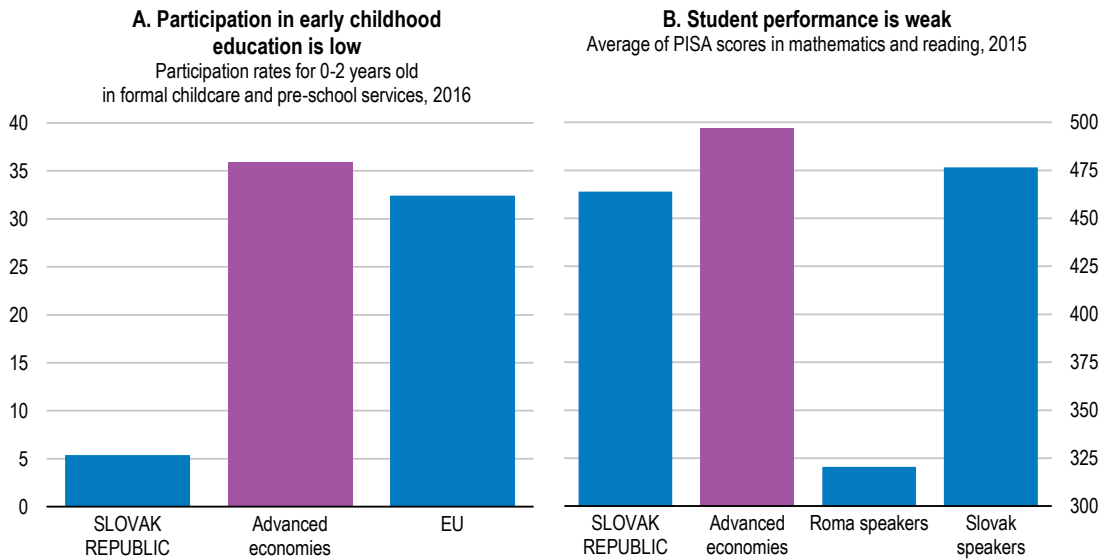
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

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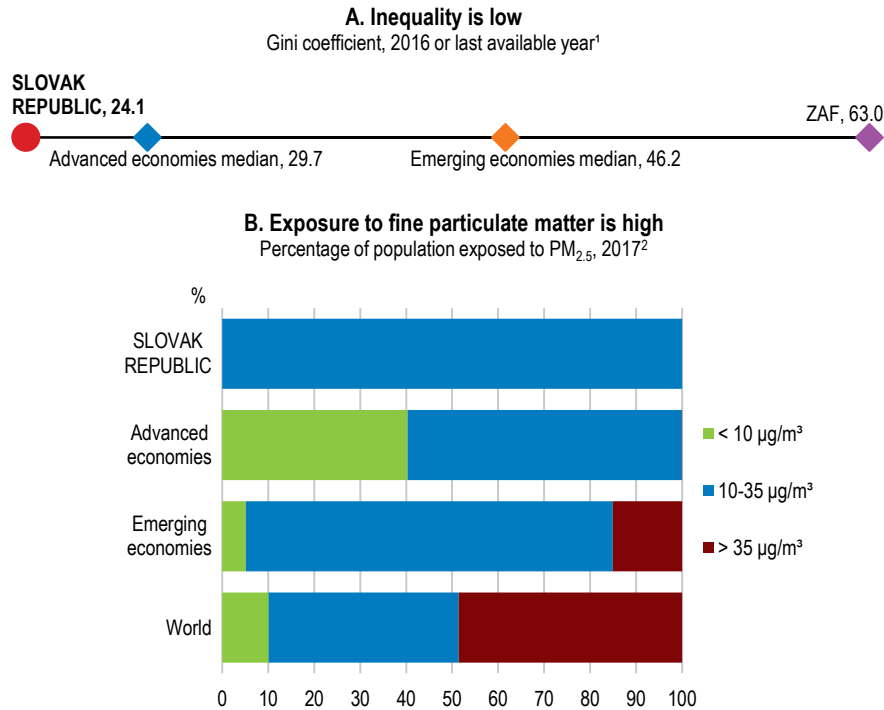
Policy indicators: Slovak Republic



Source: Panel A: OECD, Family Database; Panel B: OECD, PISA Database.

StatLink <https://doi.org/10.1787/888933956187>

Beyond GDP per capita: Slovak Republic



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933957061>

Slovak Republic: *Going for Growth 2019* priorities

Improve public sector efficiency. The Slovak Republic is underperforming in terms of public sector efficiency, which reduces the room of manoeuvre for both ensuring fiscal consolidation and financing growth-friendly measures.

- **Actions taken:** Tax collection has improved, especially for VAT. Additional action plan against tax evasion was adopted in 2017 with measures including more efficient auditing and online monitoring of transactions. Government spending on education, environment and labour market was also assessed thanks to the “Value-for-Money” initiative.
- **Recommendations:** Strengthen the Value for Money initiative, use the results to develop concrete proposals for efficiency improvements, and integrate them in medium-term fiscal planning. Continue to work with the ongoing Council of Europe project on judicial reform, and implement its suggestions, such as further court specialisation, more attention to ethics awareness among judges and more technical and legal support staff for them.

Improve funding, equity and effectiveness of the education system. The education system outcomes are weak in international comparison and are worsening.

- **Actions taken:** The government has committed to increase the salaries of teachers by 10% in January 2019 and 2020. The new legislation effective of November 2018 is introducing the Accreditation agency that is an independent public institution responsible for overseeing quality in tertiary education and is expected to follow ENQA (European Association for Quality Assurance in Higher Education) standards.
- **Recommendations:** Strengthen initial and continuing teacher training with a focus on methods to identify and address learning weaknesses. Provide more funding for disadvantaged schools, particularly for Roma teaching assistants and higher salaries for teachers teaching in disadvantaged schools. Introduce a graduate tracking system to improve the responsiveness of tertiary education to labour market needs.

Improve opportunities and outcomes for Roma population. The majority of Roma live in poverty and face social exclusion in almost every aspect of everyday life.

- **Actions taken:** Free meals for children in their final year of nursery school were introduced in 2019. New legislation that targets the misplacement of children in special schools has been approved in 2018.
- **Recommendations:** Develop statistics to monitor the effectiveness of support to the Roma. Raise pre-school attendance of the poor with conditional cash transfers. Encourage social diversity in classrooms and target more resources to disadvantaged schools. Increase the number of teaching assistants. Promote Roma access to health care by increasing support for trained Roma mediator programmes.

Reduce barriers to female labour market participation. Raising female labour market participation would foster economic growth and help counter the impact of population ageing.

- **Actions taken:** The government continues to expand provision of pre-school education and increased the funding for kindergartens, allowing more than 5 000 new kindergarten places to be created in 2018.
- **Recommendations:** Expansion of childcare facilities should be accompanied with the reduction of the length of parental leave by making the share of the parental allowance conditional on fathers taking part of the parental leave. The disincentives to work for second earners should be removed from the tax system.

***Improve the efficiency and outcomes of the Slovak health-care system.** Slovak health outcomes remain poor compared with most other OECD countries.

- **Recommendations:** Phase in the diagnosis-related group-based hospital financing system. Further centralise hospital procurement, professionalise their management and decouple salaries from national average wage. Create regional one-stop shops with well-trained personnel to coordinate and simplify access to long-term care services.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Slovenia

The narrowing of the GDP per capita gap to the upper half of OECD countries has gathered pace. Nonetheless, the gap remains substantial and reflects low productivity and labour utilisation.

The long crisis increased income inequality and poverty. Nevertheless, income redistribution in the tax and benefit system ensures a lower disposable income inequality than in most other OECD countries. The strong recovery has enabled income inequality to return to its pre-crisis levels. Greenhouse gas emissions are lower than the OECD average. The population is exposed to particle pollution coming from high levels of road and transit transport, wood stoves and expansion of lignite fired power plants.

The reform momentum has slowed as the government has implemented most of its reform agenda. In late 2018, nearly two-thirds of the largest bank was privatised. Over the longer term, the government intend to keep a 25% stake.

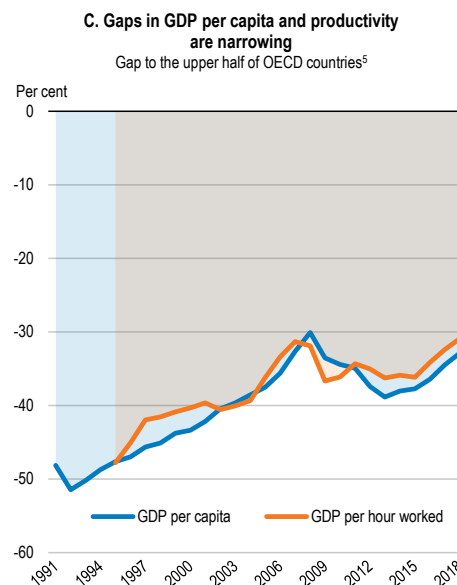
Accelerating and expanding the scope for privatisation would improve corporate governance, further attract foreign investment and improve resource allocation. Labour productivity could be bolstered by better tertiary education outcomes. Further pension reform should aim to encourage older workers to stay in the labour market. This should be combined with increased work incentives for the unemployed, including reforms of unemployment benefits, social assistance and taxes. Moreover, labour shortages call for better allocation of resources through more decentralised wage setting. Such a reform package would enhance long-term growth and improve fiscal sustainability.

Growth performance, inequality and environment indicators: Slovenia

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 4.3 | 2.6 |
| Labour utilisation | 1.0 | 1.7 |
| of which: Labour force participation rate | 1.0 | 0.6 |
| Employment rate ¹ | 0.3 | 0.7 |
| Employment coefficient ² | -0.4 | 0.4 |
| Labour productivity | 3.3 | 1.3 |
| of which: Capital deepening | 0.9 | -0.4 |
| Total factor productivity | 2.4 | 1.7 |
| Dependency ratio | 0.0 | -0.4 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 24.4 (31.7)* | -0.4 (0)* |
| Share of national disposable income held by the poorest 20% | 9.5 (7.6)* | 0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 6.2 (10.9)* | 6.4 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.2 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.0 | 0.0 |

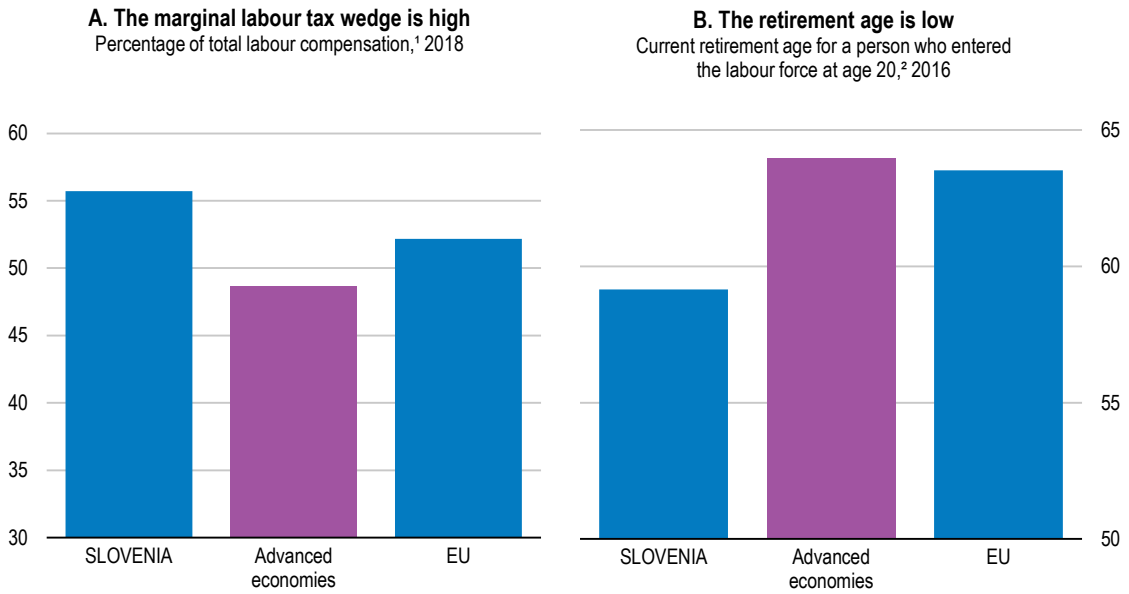
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

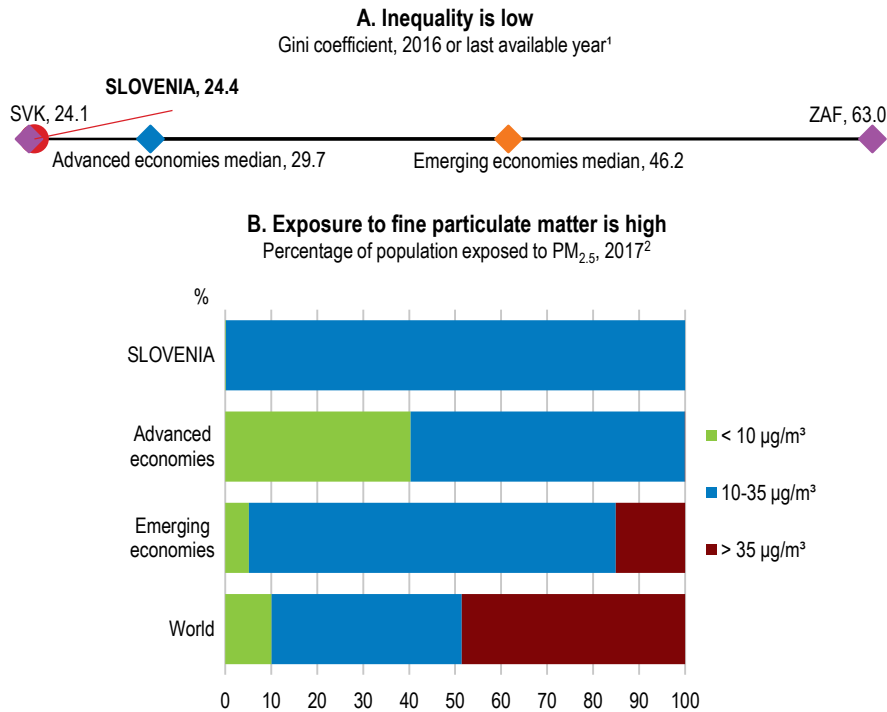
StatLink  <https://doi.org/10.1787/888933955332>

Policy indicators: Slovenia



Source: Panel A: OECD, Taxing Wages Database; Panel B: OECD, Pensions at a Glance Database.
StatLink <https://doi.org/10.1787/888933956206>

Beyond GDP per capita: Slovenia



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.
StatLink <https://doi.org/10.1787/888933957080>

Slovenia: *Going for Growth 2019* priorities

Raise the statutory retirement age and reduce disincentives to work at older age. The population is ageing rapidly and the employment rate is among the lowest in the OECD.

- **Actions taken:** No action taken.
- **Recommendations:** Increase the official retirement age to 67. Raise the effective retirement age by closing pathways to early retirement and boost lifelong learning. Enhance incentives for continued work by allowing working pensioners to receive a larger future pension, or a full pension when they reach pension age, regardless of work status.

Reduce state involvement in the economy and enhance competition in product markets. Public ownership is widespread, corporate governance is weak, and significant entry barriers reduce competition, technological progress and foreign investment.

- **Actions taken:** A number of state-owned enterprises (SOEs) has been privatised since 2015, including the partial privatisation of the largest bank in late 2018. In 2015-16, six professions have been deregulated. In the following two years, further deregulation of several other professions took place, particularly in the construction and tourism sectors.
- **Recommendations:** Strengthen governance of SOEs by directing them to focus on core activities, allowing more management pay flexibility and strengthening supervisory boards. Step up privatisation and narrow the group of strategic SOEs. Simplify judicial proceedings and increase the competition authority's resources and staff expertise.

Reduce disincentives in the tax and transfer system. Inactivity and unemployment traps are high. High marginal tax rates for high-earners have large costs in terms of work incentives and can deter investment in skills.

- **Actions taken:** A higher threshold for general tax relief and a new tax bracket were introduced in 2016.
- **Recommendations:** Restructure unemployment benefits, social assistance and taxes to increase work incentives for the unemployed and inactive persons. Make the tax mix more growth conducive by reducing top tax rates on labour income and increasing recurrent taxes on real estate and secure social objectives through better targeted family benefits.

Improve tertiary education outcomes and boost innovation. Slovenia has high R&D spending, but a low number of innovative firms and patents. Efficiency should be raised in tertiary education and overall students' performance could be improved.

Actions taken: No action taken.

- **Recommendations:** Equalise tuition fees for full- and part-time students on a per course basis, coupled with grants and loans for those from poor families. Link part of university funding to students' labour market outcome. Improve collaborative links between innovation stakeholders. Strengthen entrepreneurship education in schools.

***Decentralise wage determination.** The labour market is characterised by centralised wage bargaining, which dampens the effectiveness of wage signals in the allocation of labour resources, which is becoming more important for sustaining growth as the economy nears full employment.

- **Recommendations:** Maintain central negotiations for determining framework conditions and decentralise wage determination to the local level. Eliminate the legal requirement that wages increase automatically with age.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

South Africa

Growth in incomes and labour productivity has stagnated since the crisis. GDP per capita remains around 75% below the average of the upper half of OECD countries. Weak labour utilisation and total factor productivity have both weighed on growth since the crisis.

Inequality and poverty have remained very high and poor environmental quality negatively affects health outcomes. Greenhouse gas emissions per capita are below the OECD average, but population exposure to air pollution is high.

Progress on the priority to finalise the reform of the wage bargaining system has been made, as the national minimum wage became effective in January 2019. Although strengthening active labour market policies to tackle unemployment remains important, this priority has been dropped as investment in infrastructure and broadening access to markets are more pressing in order to support job creation and growth.

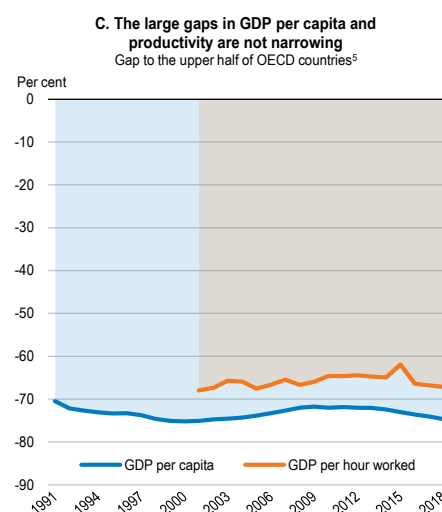
Removing barriers to competition and lifting regulatory restrictions in many sectors would boost growth. In particular, more competition in network industries would bring down prices, increase the accessibility of services, stimulate downstream firms' competitiveness and raise productivity growth. Improving the management and governance of state owned enterprises and strengthening the regulation of network sectors is crucial to lift supply side bottlenecks. Improving infrastructure and reducing intra-regional trade barriers would facilitate the flow of goods and people, increase market access and support economic growth and well-being. Reducing red tape and barriers to entrepreneurship would bolster employment and productivity growth. Improving equity and quality of education would boost human capital accumulation and reduce the high levels of inequality.

Growth performance, inequality and environment indicators: South Africa

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 3.2 | -0.2 |
| Labour utilisation | 0.9 | 0.3 |
| of which: Labour force participation rate | -0.1 | 0.9 |
| Employment rate ¹ | 1.0 | -0.5 |
| Employment coefficient ² | 0.0 | 0.0 |
| Labour productivity | 1.9 | -0.8 |
| of which: Capital deepening | -0.1 | 0.1 |
| Total factor productivity | 2.0 | -0.9 |
| Dependency ratio | 0.4 | 0.2 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2014 | 2010-14 |
| Gini coefficient ³ | 63 (31.7)* | -0.1 (0)* |
| Share of national disposable income held by the poorest 20% | 2.4 (7.6)* | 0 (0)* |
| | Average of levels | |
| | 2015 | 2010-2012-2015 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 10.2 (12.3)* | 10.6 (12.8)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.8 (0.3)* | 0.9 (0.4)* |
| Share in global GHG emissions ⁴ (%) | 1.1 | 1.2 |

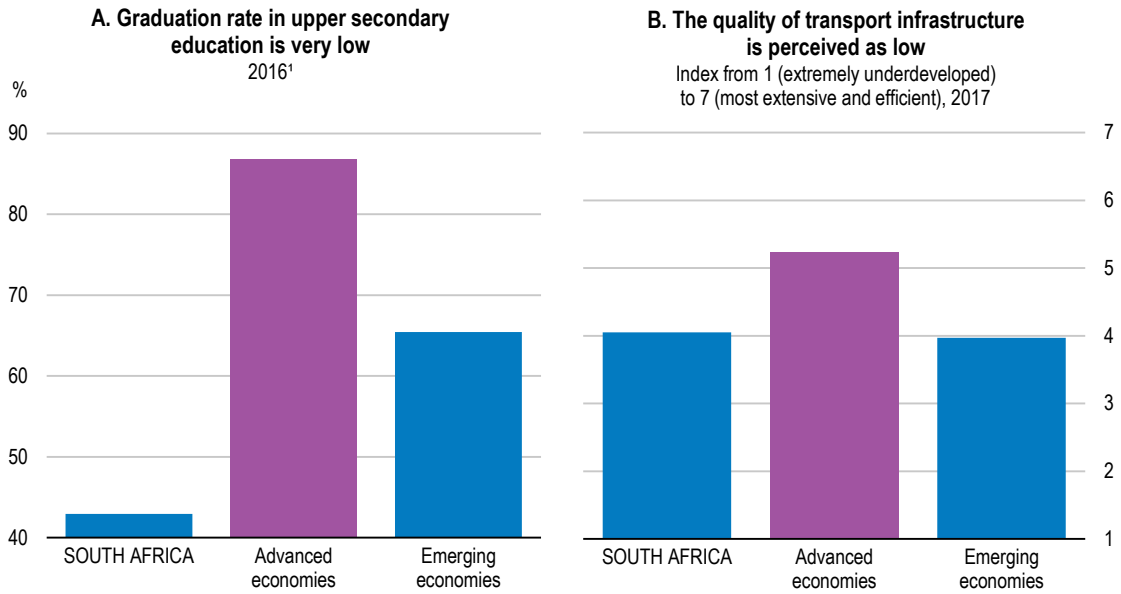
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases and World Bank, World Development Indicators (WDI) Database; International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases

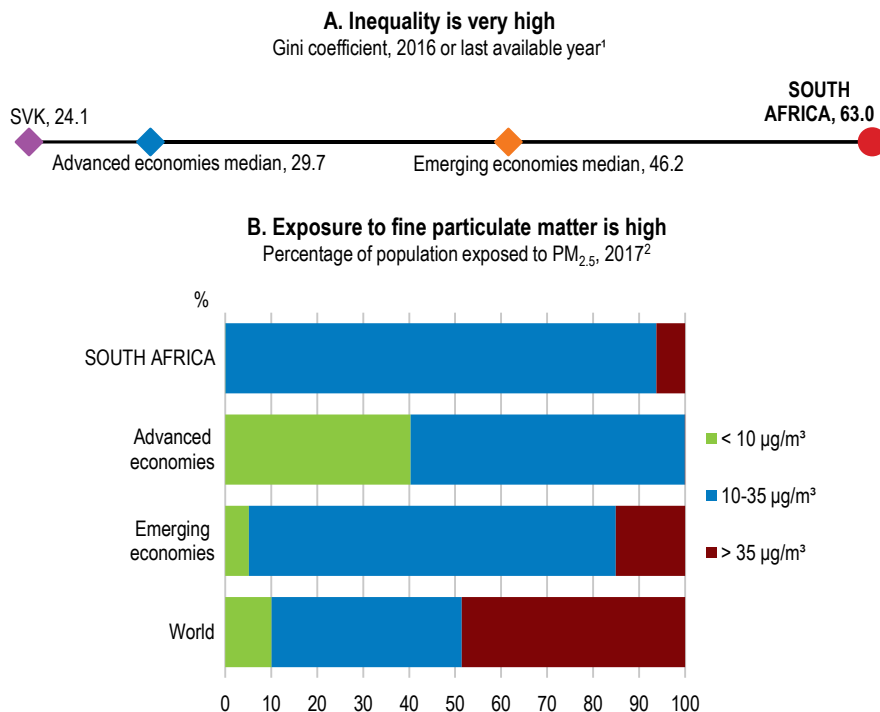
StatLink  <https://doi.org/10.1787/888933955351>

Policy indicators: South Africa



Source: Panel A: OECD, Education at a Glance Database; Panel B: World Economic Forum, Global Competitiveness Index Historical Dataset.
StatLink <https://doi.org/10.1787/888933956225>

Beyond GDP per capita: South Africa



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933957099>

South Africa: *Going for Growth 2019* priorities

Reduce barriers to entrepreneurship. Encouraging entrepreneurship would bolster employment and productivity growth.

- **Actions taken:** The Small Business and Innovation Fund to support entrepreneurs from the idea and pre-start-up phases all the way to the growth stage will begin to operate in FY2019/20. Insolvency laws are being reviewed and updated to reduce limitations to future access to credit for anyone who previously had been declared insolvent
- **Recommendations:** Significantly reduce red tape. Reduce the severity of bankruptcy rules, in particular severance payments, to facilitate second chances for entrepreneurs. Undertake regulatory impact assessments systematically for all new legislation and review existing legislation with a view to reducing regulatory burden.

Enhance competition in network industries. More competition in network industries would bring prices down, increase access and stimulate productivity growth and firms' competitiveness.

- **Actions taken:** The Competition Act has been amended in 2018 to give South African competition authorities extended powers to investigate market concentration and impose structural remedies. The STER Bill, which seeks to consolidate economic regulation and policy of the transport sector within a single framework through establishing the Single Transport Economic Regulator (STER) and the Transport Economic Council, has been released for public comment.
- **Recommendations:** Rule out granting state-owned enterprises exemptions from the competition law. Secure effective separation of generation, transmission and distribution of electricity. Strengthen the independence of network regulators. Unbundle the division of the state-owned transport conglomerate Transnet and open access to public infrastructure to private service providers.

Raise quality and equity in education. Improving equity and quality of education would boost human capital accumulation and reduce the high levels of inequality.

- **Actions taken:** Starting in 2018, free tertiary education will be phased in over the next three years for qualifying first-year students from low-income households.
- **Recommendations:** Improve teacher training, enhance accountability and increase monitoring of school leadership. Teach English as a second language earlier in the curriculum, while maintaining mother-tongue instruction for longer. Upgrade infrastructure. Gradually phase out school fees in the public primary school system. Expand vocational education and training.

***Reduce trade barriers to broaden economic opportunities.** Improving intra-regional trade to access larger markets, more jobs and more trade opportunities, would boost productivity from better resource allocation.

- **Recommendations:** Reduce non-tariffs barriers on intra-regional trade. Reduce non-tariffs barriers on intra-regional trade. Harmonise where possible documents for licences, price control measures and technical barriers to trade (technical norms). Lead the harmonisation of competition rules among South African Development Community (SADC) countries and increase co-operation between competition authorities.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

***Improve transport infrastructure to boost growth.** A better infrastructure environment that allows for better flow of goods and people would support economic growth.

- **Recommendations:** Provide special economic zones with better infrastructure and develop their linkages with local economies. Create a regional fund for infrastructure and increase private sector participation in infrastructure projects. Also promote competition in infrastructure-related services across the country to deepen regional integration.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Spain

The gap in GDP per capita relative to the upper half of OECD countries remains large, reflecting differences both in labour productivity and labour utilisation. Total factor productivity growth has been sluggish.

Income inequality has increased since 2007 and remains above the OECD average, partly driven by high rates of unemployment and the fall in incomes of households at the bottom of the income distribution. Spain's emissions of greenhouse gases per capita are below the OECD average.

Progress on *Going for Growth 2017* priorities has been limited. Changes to corporate and labour taxes have made the tax system more growth-friendly, but there remains ample room to improve the progressivity of the tax system. Reforms of activation policies have continued throughout 2017-18, but implementation is lagging. While more should be done in this area, especially to help the long-term unemployed, recognising the reforms already taken this priority has been replaced with a new priority on innovation. This is justified by weak productivity growth and the substantial decline in innovation spending during the crisis.

Boosting inclusive growth will hinge on a higher employment and productivity gains. Productivity growth can be raised via shifting the tax burden to less distortive taxes, bolstering competition, strengthening educational outcomes and boosting innovation performance. Increasing labour mobility and improving access to vocational education would lower labour market inequalities and boost skills.

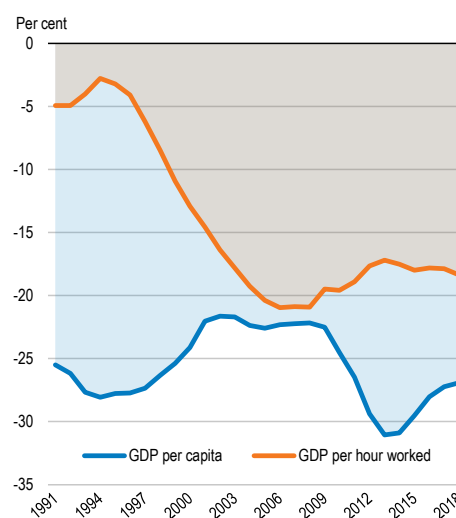
Growth performance, inequality and environment indicators: Spain

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.4 | 2.0 |
| Labour utilisation | 1.6 | 1.5 |
| of which: Labour force participation rate | 1.8 | -0.3 |
| Employment rate ¹ | 0.0 | 2.0 |
| Employment coefficient ² | -0.2 | -0.1 |
| Labour productivity | 0.0 | 0.6 |
| of which: Capital deepening | 0.6 | 0.1 |
| Total factor productivity | -0.6 | 0.5 |
| Dependency ratio | -0.3 | -0.1 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 34.1 (31.7)* | -0.1 (0)* |
| Share of national disposable income held by the poorest 20% | 6.2 (7.6)* | 0 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 6.1 (10.9)* | 6.4 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.2 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.7 | 0.7 |

* OECD simple average (weighted average for emissions data)

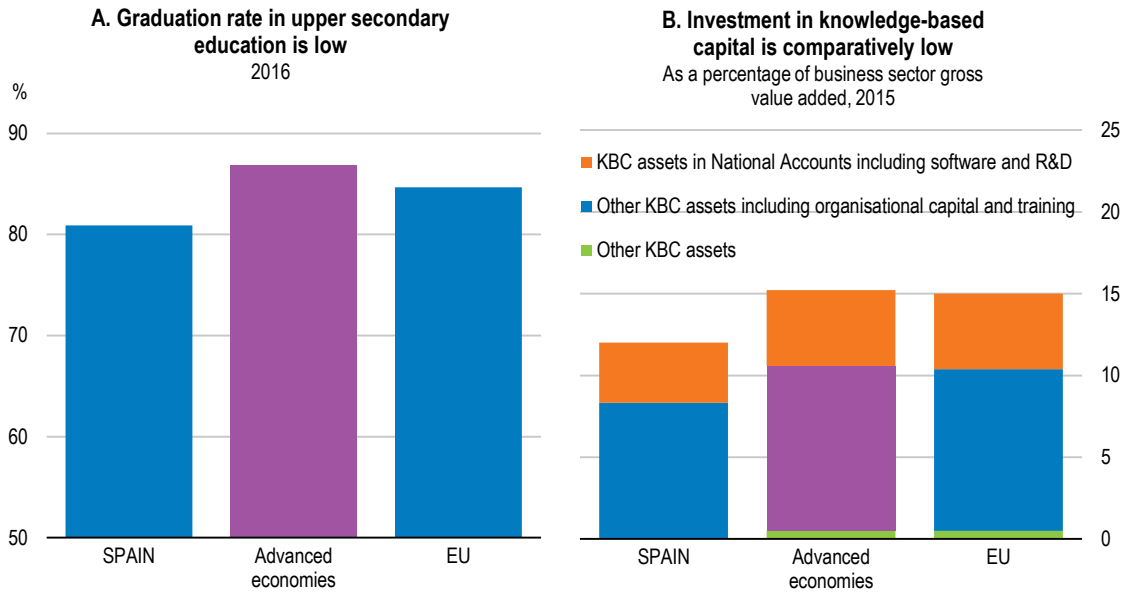
C. The gap in GDP per capita remains large
Gap to the upper half of OECD countries⁵



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

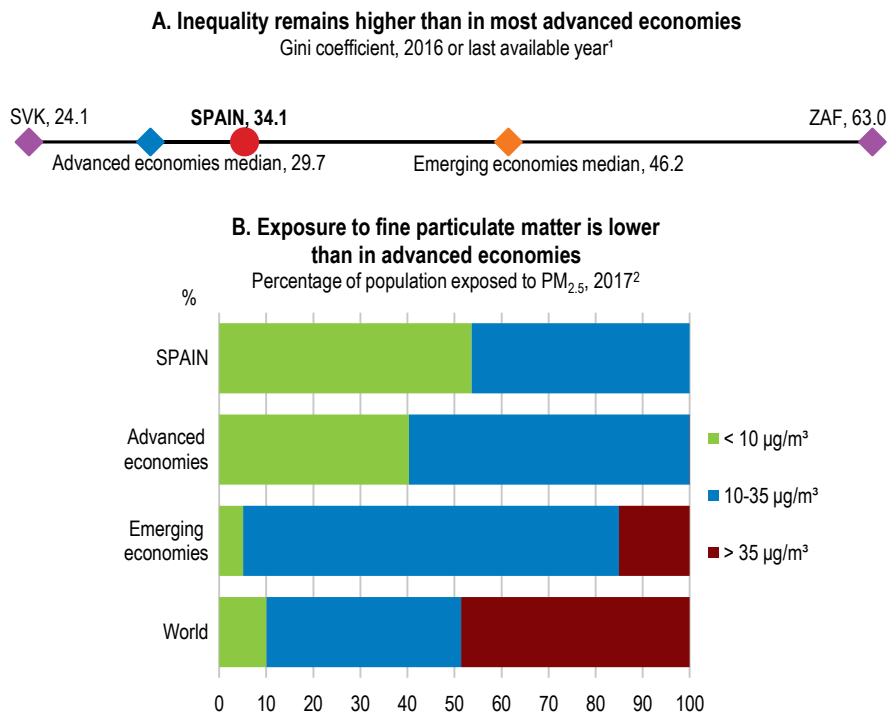
StatLink  <https://doi.org/10.1787/88893395370>

Policy indicators: Spain



Source: Panel A: OECD, Education at a Glance Database; Panel B: OECD, OECD Science, Technology and Industry Scoreboard 2017. StatLink <https://doi.org/10.1787/888933956244>

Beyond GDP per capita: Spain



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter. StatLink <https://doi.org/10.1787/888933957118>

Spain: *Going for Growth 2019* priorities

Improve the efficiency and progressivity of the tax system. Taxation remains tilted towards labour income, and various exemptions and deductions erode the income and value-added tax bases.

- **Actions taken:** Measures to broaden the corporate income tax base were introduced in 2017 and taxes on alcohol and tobacco were increased. An electronic VAT filing system came into effect in 2017 to address VAT fraud. The labour tax wedge was reduced in 2018 via increasing the threshold for income exempt from taxation.
- **Recommendations:** Broaden the tax base by narrowing exemptions to income taxes. Abolish reduced value-added tax rates that are regressive. Increase taxation of fuels to better reflect emissions of CO₂ and other pollutants. Reduce employer social security contributions for low-wage workers hired on a permanent contract.

Improve education outcomes. Despite declining, early school leaving rates remain high, and there is a need to better align skills to future labour market needs.

- **Actions taken:** The implementation of the 2013 reform of the education and training system (LOMCE), which aimed at more school autonomy and development of vocational education and training (VET), was completed in 2018, except for changes to the evaluation framework. Provision of information to increase the labour market relevance of tertiary education has also increased in 2018. In 2017, rules on the planning and evaluation of the VET system were improved.
- **Recommendations:** Improve the quality of teaching through better university and on-the-job training. Continue the development and modernisation of VET, expand dual VET and foster a greater role of employers in training students and designing curricula. Increase university specialisation.

Enhance R&D spending and innovation. Low R&D spending adversely affects innovation performance and productivity growth.

- **Recommendations:** Strengthen the evaluation of innovation policies. Partially reallocate funds from loans to R&D grants based on performance. Give the recently activated R&D Public Policy Network a strong mandate to further increase coordination of regional and national innovation policies to avoid duplication. Encourage greater scale and specialisation of universities to raise the quality of innovation, by extending performance based resources allocation and the application of international peer review and by providing more career opportunities for highly qualified researchers.

Reduce labour market duality. A high share of temporary jobs increases precariousness, limits labour mobility and increases poverty.

- **Actions taken:** To avoid abuse of temporary jobs, in 2018, a new legal framework for labour supervisors was introduced and resources allocated to supervisors increased.
- **Recommendations:** Pursue greater convergence of termination costs between permanent and temporary contracts. Continue efforts to fight against the abuse of temporary contracts.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Reduce regulatory differences across regions and regulatory barriers to firm growth. Regulatory barriers that depend on the size of firms and barriers to operating across regions, limit firm growth and productivity.

- **Actions taken:** Measures were introduced in 2017 to assess and update statutes of professional associations in order to eliminate unjustified and disproportionate barriers to access in professional services. Supporting guidelines for implementing the law on market unity have been issued.
- **Recommendations:** Eliminate the existing regulations that depend on the size of firms, as needed. Continue to implement the Market Unity Law, increase its transparency, and increase cooperation across different levels of government for its effective implementation. Improve the functioning and governance of professional bodies related to professional services.

Sweden

GDP per capita has grown slowly in the past few years. The GDP per capita gap is slightly below the level of the upper half of OECD countries.

Income inequality is below the OECD average, but highest among the Nordics. Income has increased for all income groups in Sweden, but more strongly in the upper part of the distribution. Greenhouse gas emissions per capita and per unit of GDP are well below the OECD average and falling, and exposure to pollution is low.

Some progress has been made in immigrant integration. Yet, the scale of humanitarian and family reunion immigration, together with a high skills gap vis-à-vis natives, calls for continuous efforts to coordinate policies and better tailor measures to individual needs. Education reforms have gone in the right direction, but more systematic and fundamental action is required.

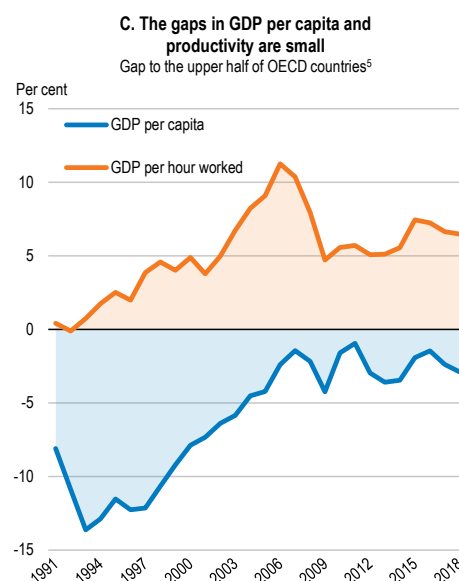
Improving school results and integration, including by lowering labour market entry barriers, is necessary to keep the employment rate high and avoid increasing inequality further. More efficient housing and rental markets would increase labour mobility and enhance productivity. Shifting the composition of the tax structure could increase its efficiency in an equity-friendly way.

Growth performance, inequality and environment indicators: Sweden

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 2.2 | 1.4 |
| Labour utilisation | -0.3 | 0.8 |
| of which: Labour force participation rate | 0.0 | 0.5 |
| Employment rate ¹ | 0.0 | 0.3 |
| Employment coefficient ² | -0.2 | 0.1 |
| Labour productivity | 2.1 | 0.9 |
| of which: Capital deepening | 0.5 | 0.1 |
| Total factor productivity | 1.6 | 0.8 |
| Dependency ratio | 0.4 | -0.3 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2017 | 2013-17 |
| Gini coefficient ³ | 28.2 (31.7)* | 0.3 (0)* |
| Share of national disposable income held by the poorest 20% | 8.7 (7.6)* | -0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 1 (10.9)* | 1.6 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0 (0.3)* | 0 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.1 | 0.1 |

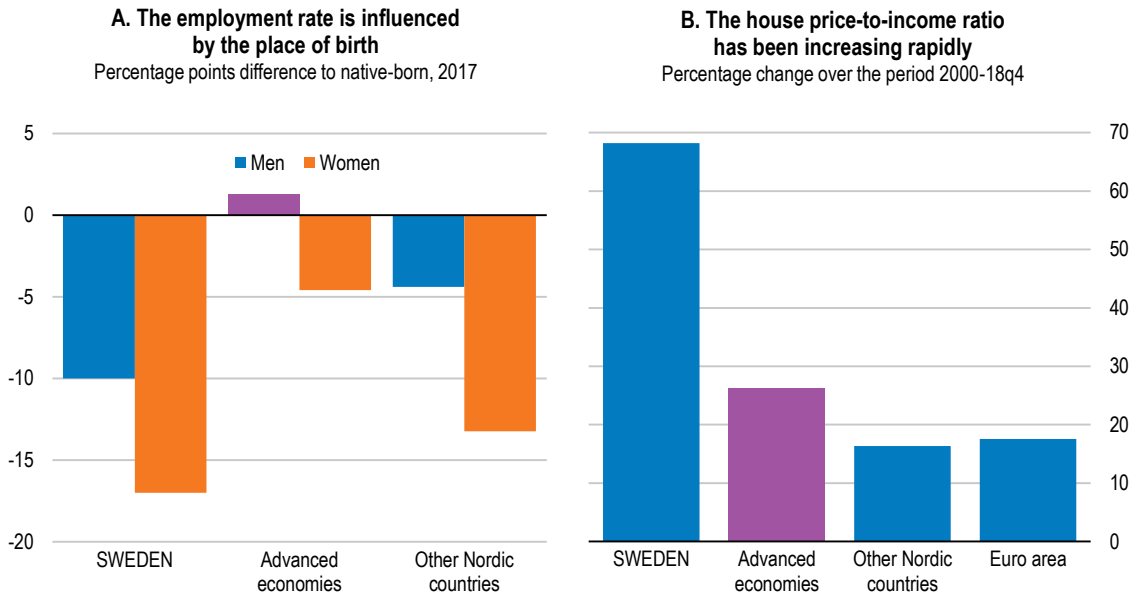
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink  <https://doi.org/10.1787/888933955389>

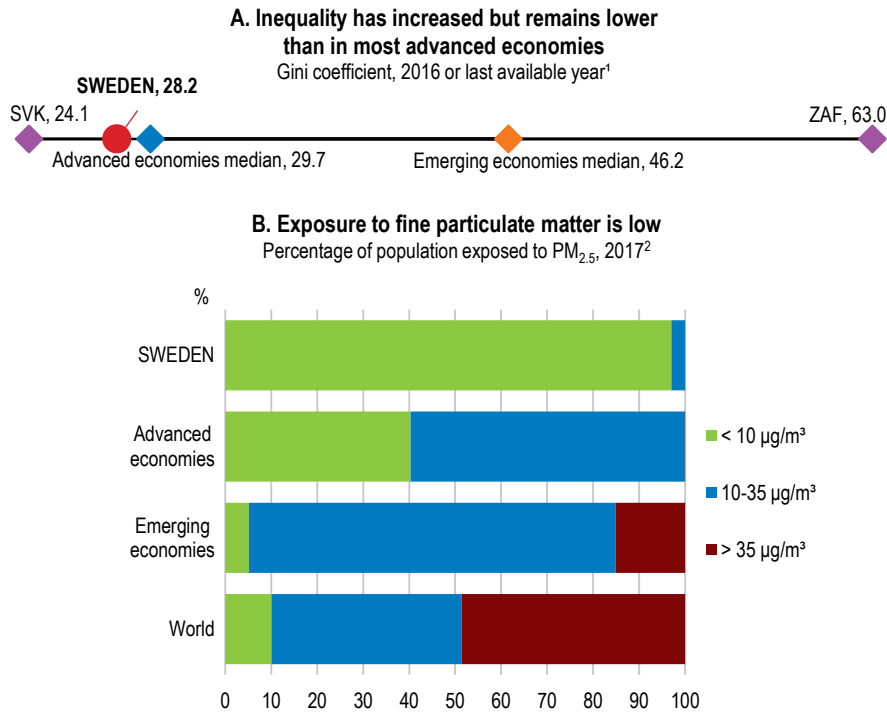
Policy indicators: Sweden



Source: Panel A: OECD, Migration Statistics Database; Panel B: OECD, House prices Database.

StatLink <https://doi.org/10.1787/888933956263>

Beyond GDP per capita: Sweden



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933957137>

Sweden: *Going for Growth 2019* priorities

Enhance migrant integration. Humanitarian and family reunion immigrants to Sweden, notably women, are on average less educated than natives, and face language and cultural barriers.

- **Actions taken:** Limited, but coherent, policies have been put in place to build migrants' skills and facilitate their employment. Notable examples include the earlier provision of Swedish classes (2017), mandatory settlement in municipalities (mid-2016), fast-track recognition of foreign qualifications in high-demand occupations (strengthened in 2017 and 2018) and the streamlining of wage subsidies (2018).
- **Recommendations:** Adapt language training, education, subsidised work and recognition of foreign competencies to individual needs, and coordinate them between municipalities and the Public Employment Service. Address strict employment protection and continue to streamline wage subsidy schemes. Increase the involvement of the social partners and civil society.

Reduce housing market distortions. Overly rigid planning and rental regulations impede labour mobility, reduce competition in construction and increase the risk of financial and macroeconomic imbalances.

- **Actions taken:** The Financial Supervisory Authority has introduced further macro-prudential measures in 2017 and 2018 to contain financial risks. The government is gradually implementing a 22-point plan to support construction, including simplifications in planning and construction regulations.
- **Recommendations:** Ease rental regulations and phase out mortgage interest deductibility to help contain the rise in household debt, improve financial and macroeconomic stability and access to housing.

Improve the efficiency of the tax structure. High marginal taxes on above-average income reduce incentives to work longer and weaken productivity growth.

- **Actions taken:** No action taken
- **Recommendations:** Cut marginal tax rates on above-average earnings by shifting part of the tax burden towards recurrent taxes on immovable property and inheritance tax, and by removing VAT exemptions.

Increase the efficiency of the education system. School results, as measured by PISA and other international tests, have fallen rapidly over the past decade, even though some improvement is visible in the most recent surveys. Children's performance is increasingly determined by whom their parents are and where in the country they live.

- **Actions taken:** Starting 2018, school providers (usually municipalities) will be obliged to designate a person responsible for schools, which should improve accountability. Legislation was also passed in 2018 to address problems of long or repeated absences among students. Targeted grants have been awarded to municipalities to raise the salaries of high-performing teachers and support schools with a less favourable mix of students.
- **Recommendations:** Strengthen the institutional set-up of the school system, better target funding to pupils' needs and expand regional governance structure. Take the socio-economic mix of pupils into account in entry and investment decisions, coordinate the entry and expansion of private schools and assign pupils to over-subscribed private schools by lottery or quotas to counter school segregation. Improve teacher education, strengthen continuous learning and instigate more cooperation, feedback and support between colleagues to raise teacher quality and the status of the profession.

Reform job protection for permanent contracts. Relatively stringent job protection for permanent contracts raises concerns about labour reallocation, productivity growth and exclusion of vulnerable groups such as migrants.

- **Actions taken:** No action taken.
- **Recommendations:** Reduce stringency in areas that unduly hinder productivity enhancements, such as the “first in, last out” rule, obligations related to internal reassignment and the priority for dismissed workers to be re-hired following justified individual or collective dismissal. Engage with social partners to reform employment regulations in the industries in which they are tightened by collective agreements.

Switzerland

GDP per capita remains one of the highest amongst OECD countries. However, growth has been sluggish since 2011 as labour productivity has been flat.

Inequality is moderate as measured by both the Gini coefficient and the share of income received by the poorest. Greenhouse gas emissions are on average less than other advanced OECD countries. However, imports contain a significant amount of embedded carbon.

Public sector efficiency has improved, notably in the health sector. However, containing healthcare costs remains a challenge, especially as the population ages. In September 2018, Parliament adopted a joint package of reforms to corporate income taxation which also increased funding for the pension system and will be effective from 2020.

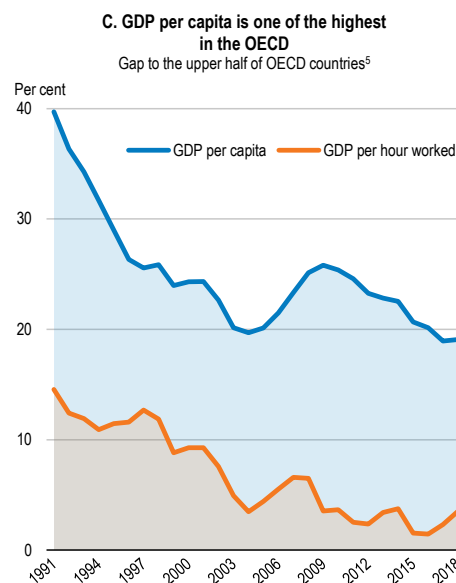
The priority is to revive labour productivity to maintain high living standards. There is room to improve skills and labour market outcomes of workers from poorer socio-economic backgrounds (especially migrants) and encourage their participation in continuing education and training. Helping women to work full-time will reduce skills shortages. Reforming public support to agriculture will boost its productivity and reduce its environmental impact. Ageing-related public spending is on the rise, making it urgent to adjust the pension system and encourage longer working lives, including through a higher retirement age and lifelong training.

Growth performance, inequality and environment indicators: Switzerland

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.9 | 0.8 |
| Labour utilisation | 0.3 | 0.4 |
| of which: Labour force participation rate | 0.0 | 0.3 |
| Employment rate ¹ | -0.1 | 0.0 |
| Employment coefficient ² | 0.3 | 0.1 |
| Labour productivity | 1.4 | 0.6 |
| of which: Capital deepening | 0.2 | 0.0 |
| Total factor productivity | 1.2 | 0.5 |
| Dependency ratio | 0.2 | -0.1 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2015 | 2013-15 |
| Gini coefficient ³ | 29.6 (31.7)* | 0 (0)* |
| Share of national disposable income held by the poorest 20% | 8.5 (7.6)* | -0.1 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 5.5 (10.9)* | 6 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.1 (0.3)* | 0.1 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 0.1 | 0.1 |

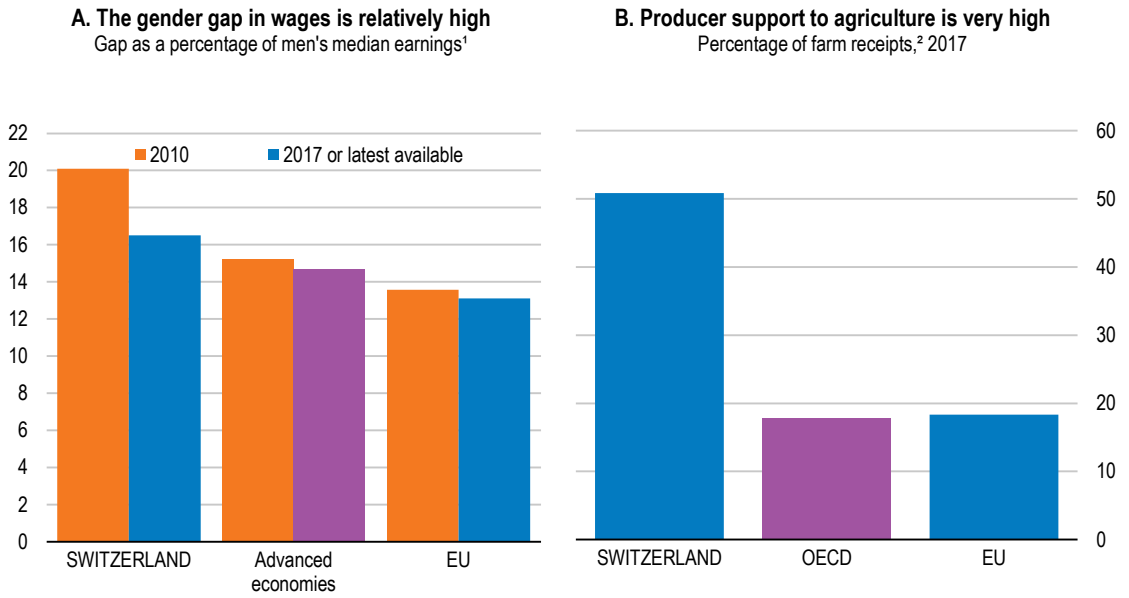
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink  <https://doi.org/10.1787/888933955408>

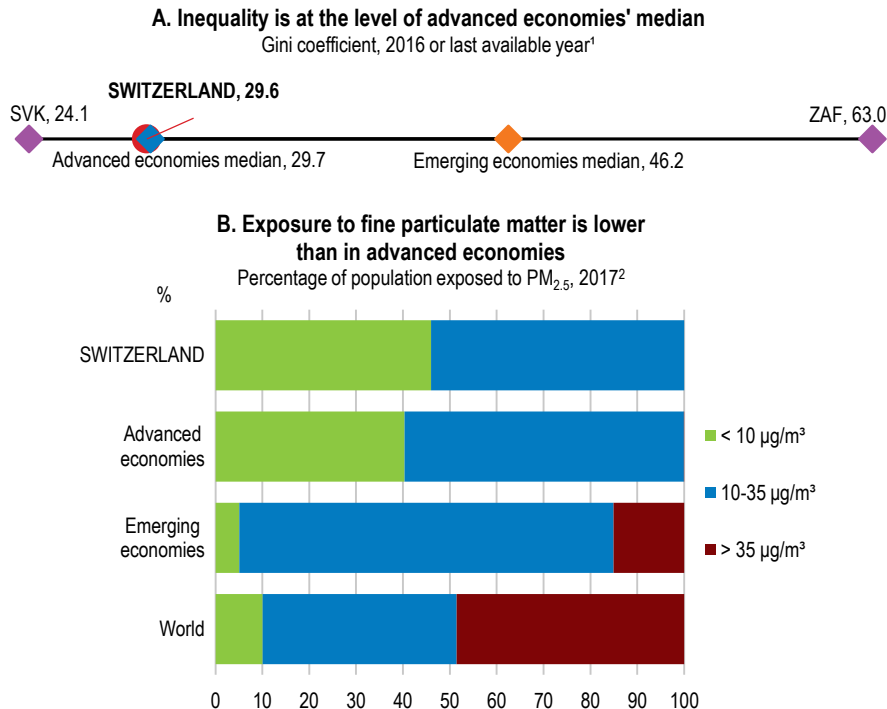
Policy indicators: Switzerland



Source: Panel A: OECD, Gender Database; Panel B: OECD, Producer Support Estimate Database.

StatLink <https://doi.org/10.1787/888933956282>

Beyond GDP per capita: Switzerland



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933957156>

Switzerland: *Going for Growth 2019* priorities

Improve access and equity in education. Skills shortages, low enrolment in tertiary education and weak outcomes of pupils from disadvantaged socio-economic backgrounds (especially migrants) limit growth in the long term.

- **Actions taken:** From 2018, pre-apprenticeship integration training is offered to about 1000 migrants per year. Another new programme offers subsidies to companies that provide basic skills training; it aims to improve access to training for low-skilled and older workers.
- **Recommendations:** Use subsidies to encourage participation in continuing education and training for groups with low participation rates. Increase public spending on early childhood education and care, especially for children from disadvantaged socio-economic backgrounds (including migrants). Improve access to tertiary education for students from lower socio-economic and immigrant backgrounds through special financial support (e.g. means-tested grants).

Reduce producer support to agriculture. Producer support to agriculture is high and multiform, with adverse effects on productivity, price levels, trade negotiations, the budget and the environment.

- **Actions taken:** No action taken. In November 2018, the government launched consultations on agricultural policy, which from 2022 would include better linking direct payments to environmental protection.
- **Recommendations:** Reduce agricultural subsidies and make all direct payments conditional on environmental outcomes. Accelerate the pace of agricultural reform, including by moving entirely to direct payments to farmers, and by further integrating the whole food value chain in international trade. Consider introducing a tax on inputs (fertilisers) or outputs (methane from livestock) which are polluting. End farmers' exemption from the mineral oil tax.

Reform the tax system. The prevalence of direct compared to indirect taxation impedes labour utilisation and reduces allocative efficiency and therefore productivity.

- **Actions taken:** A corporate tax reform was adopted by Parliament in September 2018 and will be effective from 2020. The objective is to align Switzerland's tax system with its international commitments. The reform will abolish special tax regimes and provide equal treatment of all resident companies, including additional incentives for R&D spending. The CO₂ levy increased in 2018 by CHF 12 to CHF 96 per tonne of CO₂.
- **Recommendations:** Increase the standard value-added tax rate, remove VAT exemptions and lower personal income taxes, taking into account the federal structure of the tax system. Remove exemptions to the CO₂ levy and other green taxes.

***Encourage longer working lives.** Increasing public ageing-related spending may crowd out other expenditures. The current situation generates uncertainty for workers about their retirement incomes and working lives.

- **Recommendations:** Set the retirement age at 65 for both genders and thereafter link it to life expectancy. Increase financial incentives to work longer before retirement. Promote healthy working lives, including via preventive health care programmes. Promote lifelong training, career planning and tailored job-search assistance to enhance workers' resilience to change.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Facilitate full-time labour force participation of women. The cost of childcare, dissuasive second-earner taxation, weak corporate culture of gender diversity and a wage gap contribute to women's high incidence of part-time work.

- **Actions taken:** In June 2017, Parliament granted an additional CHF 100 million over the next five years for subsidies to reduce childcare costs and to restructure childcare services to meet parents' needs. In 2018 it extended a federal programme providing additional childcare places. The Parliament will vote on a proposal to increase the federal income tax allowance for child expenses from CHF 10 000 to 25 000 per year. In 2018, Parliament passed legislation introducing targets for the share of female board members of large listed companies, which will be phased in over 5-10 years and subject to a comply-or-explain requirement.
- **Recommendations:** Further reduce childcare costs to improve access to affordable childcare by amending regulations to increase the range of price-quality choices available and expanding public spending on childcare in a targeted way. Shift income taxation from joint to individual income taxation, or implement equivalent measures. Create paternity leave, and consecutive parental leave to be shared between fathers and mothers.

Turkey

The income gap vis-à-vis the upper half of OECD countries was narrowing with a growth deceleration in the last two years. Rising labour force participation and job creation have compensated for declining contributions of capital deepening and labour productivity.

Income inequality remains very high, reflecting important gaps in the education, skills and earning capacity of individuals, in the productivity of the firms employing them, and limited redistribution from the tax-and-transfer system. Greenhouse gas emissions per capita are below the OECD average but continue rising and the population's exposure to particulate matter in the air is one of the highest in OECD.

Progress has been limited on 2017 priorities, as the reforms intended in the successive government action plans were not implemented amid a constitutional referendum in 2017 and early presidential and parliamentary elections in 2018. New legislation was adopted in early 2018 facilitating market entry and infrastructure access by start-ups, as a first step in a broad programme to improve Turkey's business environment.

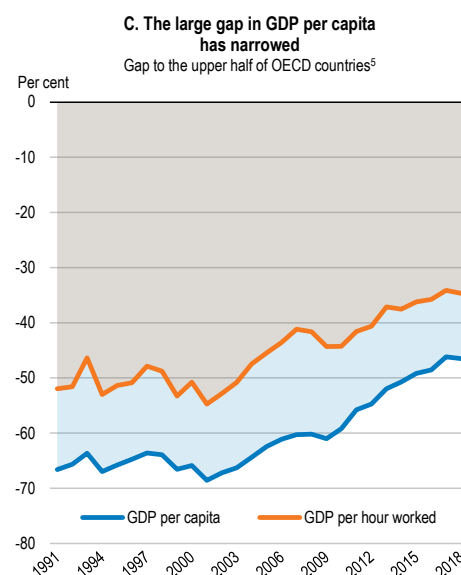
Key education, labour and product market reforms are necessary to converge with good OECD policy practices. Upskilling the labour force and easing the shift of low-skilled workers from low-productivity informal to high-productivity formal firms would significantly boost average labour productivity, human capital formation and social inclusion. Environmental protection should be integrated into economic plans by committing the necessary financial and human resources.

Growth performance, inequality and environment indicators: Turkey

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 4.9 | 4.3 |
| Labour utilisation | -0.3 | 1.6 |
| of which: Labour force participation rate | -0.2 | 2.0 |
| Employment rate ¹ | 0.0 | -0.5 |
| Employment coefficient ² | 0.0 | 0.0 |
| Labour productivity | 4.7 | 2.3 |
| of which: Capital deepening | 1.7 | 1.2 |
| Total factor productivity | 3.0 | 1.1 |
| Dependency ratio | 0.4 | 0.3 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2015 | 2013-15 |
| Gini coefficient ³ | 40.4 (31.7)* | 0.7 (0)* |
| Share of national disposable income held by the poorest 20% | 6.1 (7.6)* | 0 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 5.5 (10.9)* | 5.2 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.3 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 1.1 | 1.0 |

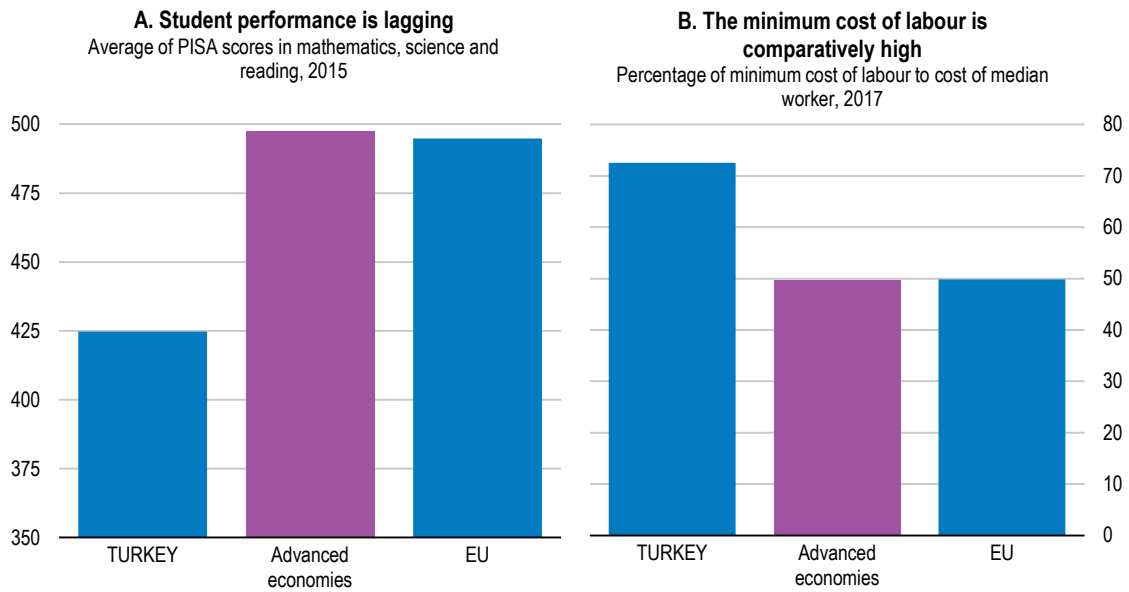
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

StatLink  <https://doi.org/10.1787/888933955427>

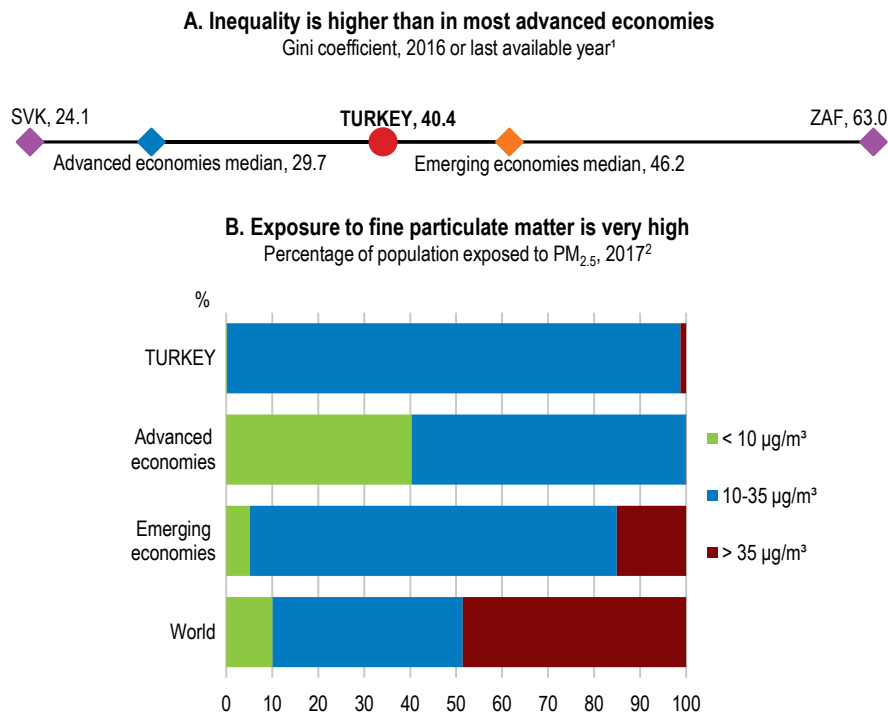
Policy indicators: Turkey



Source: Panel A: PISA Database; Panel B: OECD, calculations based on Taxing Wages and Economic Outlook Databases.

StatLink  <https://doi.org/10.1787/888933956301>

Beyond GDP per capita: Turkey



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink  <https://doi.org/10.1787/888933957175>

Turkey: *Going for Growth 2019* priorities

Improve educational achievement at all levels. Student enrolment rates are increasing at all levels, but there is ample scope to improve quality and equity.

- **Actions taken:** Starting from the education year 2017-18, an Orientation Programme is implemented to prevent absenteeism and class repetition in all types of schools, and a Quality Monitoring and Evaluation System is applied in all vocational and technical schools.
- **Recommendations:** Continue to reduce the wide quality gaps persisting among schools, school types and universities, by granting them more autonomy and resources per student, against greater performance accountability. Further develop pre-school education. Continue to strengthen vocational education in co-operation with the business sector and evaluate the outcomes of the many recent initiatives in this area.

Reduce the cost of employment of the low skilled. High minimum costs of labour for formal employers discourage the hiring of the low skilled in the formal sector.

- **Actions taken:** The real minimum wage was increased by 0.2% in 2017 and 3.0% in 2018 – more than average labour productivity growth in the latest year, potentially discouraging formal employment. Nominal increases amounted to 8% and 14.2% respectively. Amid very high inflation in 2018, the minimum wage increases for 2019 are not yet settled. Between January 2018 and December 2020, the employment cost of all unemployed workers that a firm hires in addition to its employment level at the end of the previous calendar year will be subsidised by 37 to 50% for a year.
- **Recommendations:** Keep the growth of the real official minimum wage below average productivity gains for a while. Allow regional differentiation of minimum wages through local consultations between government, employer and employee representatives. Grant permanent social contribution cuts for low-skilled workers in the entire country, financing them by widening the tax base.

Reform employment protection legislation and strengthen active labour market policies. Existing employment protection rules for permanent and temporary workers nurture a large informal sector.

- **Actions taken:** No action taken. Background studies for the introduction of “portable severance saving accounts” have been discussed with social partners in a Tripartite Advisory Board. No consensus was reached on their financing and the reform has been postponed.
- **Recommendations:** Implement the labour market reforms programmed in various government documents. Replace the severance payment regime (available only for a minority of formal sector workers). Liberalise fixed-term contracts. Make public support for retraining and job search more reliable for those out-of-work.

Improve competition in network industries and agriculture. Obstacles to competition in network sectors and in agricultural markets undermine productivity growth.

- **Actions taken:** A “Regulation on the Organisation of the Natural Gas Wholesale Market and Procedures and Principles for Market Usage” was adopted in 2017. As a result, a wholesale market for natural gas started to operate in September 2018.
- **Recommendations:** Identify the remaining obstacles to the opening of network sectors to competition, with the help of an OECD Competition Assessment Review. Delink agricultural support from production and shift its composition away from price measures towards direct support.

***Improve environmental performance.** Strong economic and population growth, rapid urbanisation and expansion of coal power production are increasing environmental pressures, in particular air pollution, carbon emissions and water scarcity.

- **Recommendations:** Integrate environmental protection into economic plans and raise awareness of environmental challenges. Increase the scope and level of carbon pricing. Commit the necessary financial and human resources to the implementation of key environmental policies.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

United Kingdom

The GDP per capita gap relative to the upper half of the OECD has been broadly stable. While employment rates have markedly risen since the beginning of the decade, labour productivity growth has halved.

Income inequality, as measured by the Gini coefficient, is above the OECD average. Greenhouse gas emissions per capita have decreased in recent years and remain below the average of OECD countries.

Limited progress has been made on past priorities. A modest amount of new funding is being allocated to support housing, infrastructure and research and development.

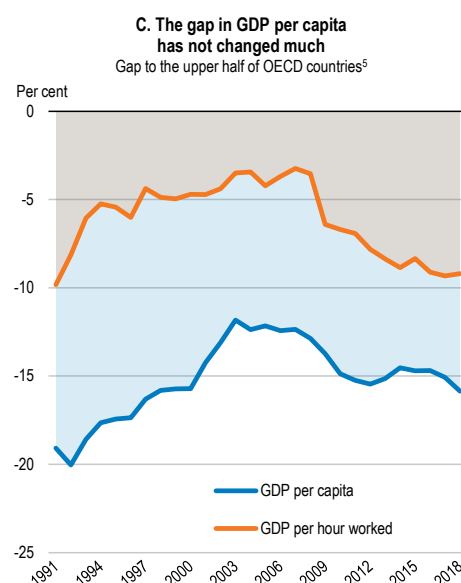
Improving adult skills and strengthening work incentives, particularly of low-income workers, would bring large growth dividends in the long term and foster inclusiveness. Exit from the European Union is surrounded by significant uncertainty but may imply a need to reprioritise the main policy recommendations.

Growth performance, inequality and environment indicators: United Kingdom

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.6 | 1.3 |
| Labour utilisation | 0.1 | 0.9 |
| of which: Labour force participation rate | 0.2 | 0.3 |
| Employment rate ¹ | -0.1 | 0.7 |
| Employment coefficient ² | 0.0 | 0.0 |
| Labour productivity | 1.3 | 0.6 |
| of which: Capital deepening | 0.6 | 0.3 |
| Total factor productivity | 0.7 | 0.2 |
| Dependency ratio | 0.2 | -0.2 |

| B. Inequality and environment | | |
|---|--------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 35.1 (31.7)* | -0.2 (0)* |
| Share of national disposable income held by the poorest 20% | 7 (7.6)* | -0.1 (0)* |
| | | Average of levels |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 7.2 (10.9)* | 8.4 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.2 (0.3)* | 0.2 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 1.0 | 1.2 |

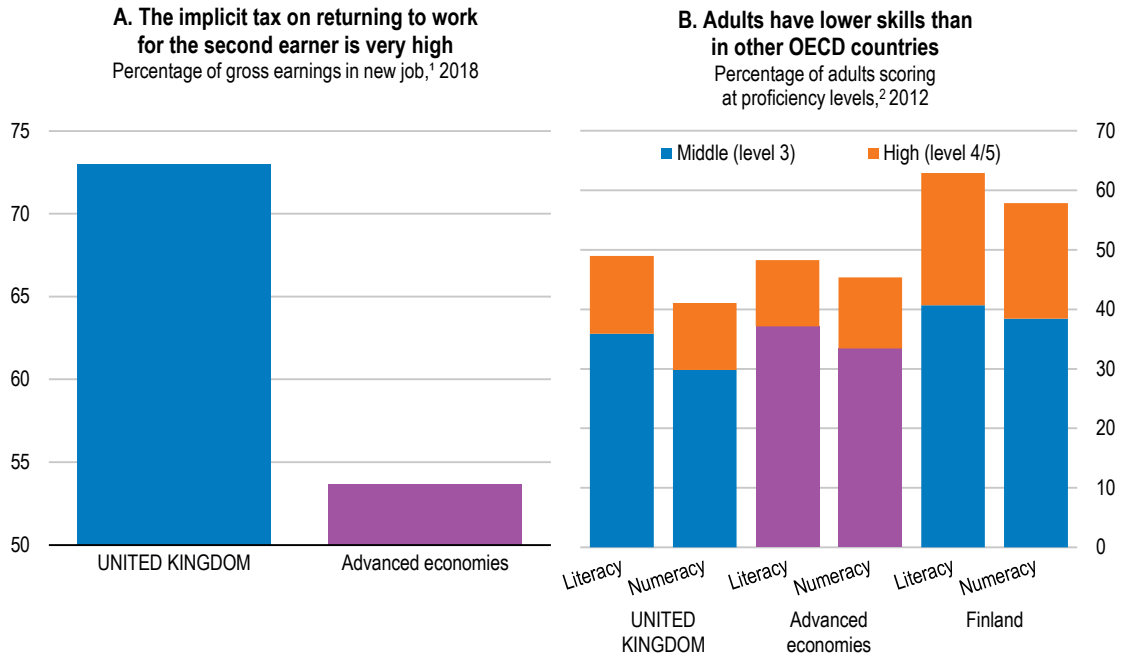
* OECD simple average (weighted average for emissions data)



Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.

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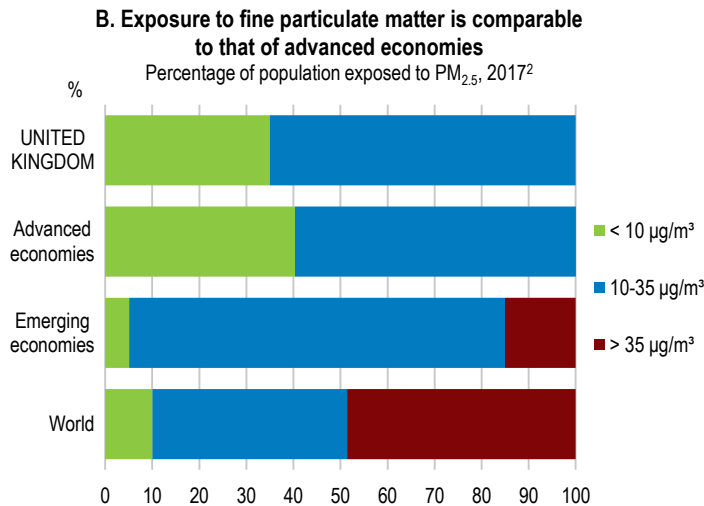
Policy indicators: United Kingdom



Source: Panel A: OECD, Tax-Benefit Models; Panel B: OECD (2013), OECD Skills Outlook 2013: First Results from the Survey of Adult Skills and OECD (2016), Skills Matter: Further Results from the Survey of Adult Skills, OECD Skills Studies.

StatLink <https://doi.org/10.1787/888933956320>

Beyond GDP per capita: United Kingdom



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933957194>

United Kingdom: *Going for Growth 2019* priorities

Improve skills. Adults have lower literacy and numeracy skills than the OECD average.

- **Actions taken:** A new partnership met for the first time in March 2018 with industry and trade unions to deliver a National Retraining Scheme, focusing on lifelong learning and STEM skills. In April 2017, an apprenticeship levy was introduced for firms with a wage bill over GBP 3 million each year.
- **Recommendations:** Encourage the expansion of high quality post-secondary vocational programmes. Better align programmes and policies to local economic development through further decentralisation of funding for skill programmes and by further involving employers. Support lifelong learning of low-skilled workers to ensure that their productivity can adjust to planned increases in the minimum wage (National Living Wage).

Strengthen work incentives and active labour market policies. The share of all unemployed and not in education, employment nor training (NEET) youth is above the OECD average. High implicit tax also hinders work incentives for second earners.

- **Actions taken:** No action taken.
- **Recommendations:** Monitor the effectiveness of the Universal Credit – a unified social benefit – in moving people towards employment. Raise spending on active labour market policies, in particular for 15 to 19 year-olds, and improve their efficiency by fostering competition among contracted providers.

Enhance housing supply. Insufficient housing construction reduces affordability for households and the matching of skills to jobs.

- **Actions taken:** In the 2017 Autumn Budget, GBP 15.3 billion (0.8% of GDP) of new financial support for housing has been made available over the next five years, primarily to boost the land assembly and housing infrastructure fund, bringing total support to at least GBP 44 billion (2.2% of GDP) over this period. To help first-time buyers, the government will permanently exempt them from stamp duty for the first GBP 300 000 of the property value, subject to a total home value cap of GBP 500 000.
- **Recommendations:** Further relax regulatory constraints to release more land for housing. Enhance the provision of social housing where private sector activity is insufficient to promote greater equity in housing access.

Improve public infrastructure. Congestion is high in the road transport network and the quality of the infrastructure stock is perceived as poor.

- **Actions taken:** In the 2017 Autumn Budget, GBP 1.7 billion (0.08% of GDP) have been allocated to a new Transforming Cities Fund to improve connectivity and support jobs across England's regions.
- **Recommendations:** Further prioritise public infrastructure investment and continue to increase access to private financing. Move towards user pricing, especially in areas where negative environmental externalities exist, such as road transport.

Promote R&D spending. Both private and public spending on R&D are comparatively low.

- **Actions taken:** In the 2017 Autumn Budget, support to R&D has been boosted by an additional GBP 2.3 billion (0.12% of GDP) investment in 2021-22 from the National Productivity Investment Fund (NPIF).
- **Recommendations:** Prioritise spending on direct funding to leverage private sector innovation in emerging sectors and potentially “disruptive” technologies. Boost direct R&D funding and ensure a balanced support between the two sources of funding.

United States

GDP per capita has exceeded the average of the upper half of OECD countries by 10% or more over the past few decades. Per capita output has begun to recover thanks to employment growth offsetting disappointing productivity growth.

Income inequality remains higher than the OECD average, but has been declining recently. Greenhouse gas emissions remain among the highest compared to other OECD countries.

Significant progress was made on reforming corporate income taxation in 2017. On other priorities progress has been more modest.

Public infrastructure provision is insufficient and is contributing to congestion, urban sprawl, and environmental degradation, making actions to maintain existing and build new infrastructure desirable. Sizeable segments of the population lack opportunities to acquire and maintain skills valued by employers and find employment. These gaps could be bridged by measures to improve educational outcomes, facilitate retraining, and enhance employment flexibility for parents of young children. The US devotes more resources on healthcare than other OECD countries, with little apparent gain in health outcomes. Enhancing healthcare sector efficiency could put resources to better use. The burden of regulation, occupational licensing and zoning hinders the business environment and creates barriers to workers moving jobs.

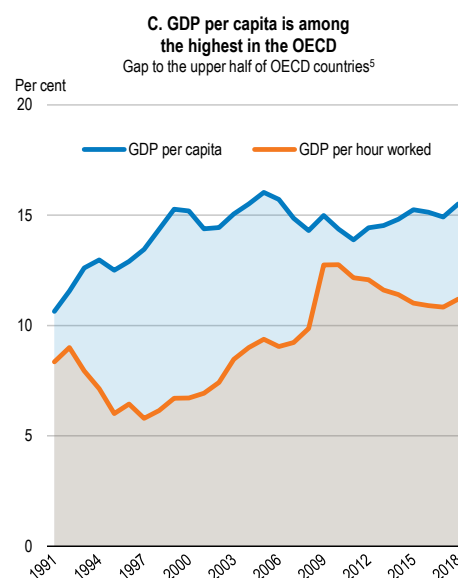
Growth performance, inequality and environment indicators: United States

| A. Growth | | |
|---|---------|---------|
| Average annual growth rates (%) | 2002-08 | 2012-18 |
| GDP per capita | 1.5 | 1.6 |
| Labour utilisation | -0.4 | 0.8 |
| of which: Labour force participation rate | -0.1 | -0.1 |
| Employment rate ¹ | 0.0 | 0.7 |
| Employment coefficient ² | -0.3 | 0.2 |
| Labour productivity | 1.7 | 0.6 |
| of which: Capital deepening | 0.6 | 0.0 |
| Total factor productivity | 1.1 | 0.6 |
| Dependency ratio | 0.2 | 0.1 |

| B. Inequality and environment | | |
|---|-------------------|--------------------------------------|
| | Level | Annual variation (percentage points) |
| | 2016 | 2013-16 |
| Gini coefficient ³ | 39.1 (31.7)* | -0.2 (0)* |
| Share of national disposable income held by the poorest 20% | 5.3 (7.6)* | 0 (0)* |
| | Average of levels | |
| | 2016 | 2010-16 |
| GHG emissions per capita ⁴ (tonnes of CO ₂ equivalent) | 17.9 (10.9)* | 18.8 (11.3)* |
| GHG emissions per unit of GDP ⁴ (kg of CO ₂ equivalent per USD) | 0.3 (0.3)* | 0.4 (0.3)* |
| Share in global GHG emissions ⁴ (%) | 12.9 | 13.6 |

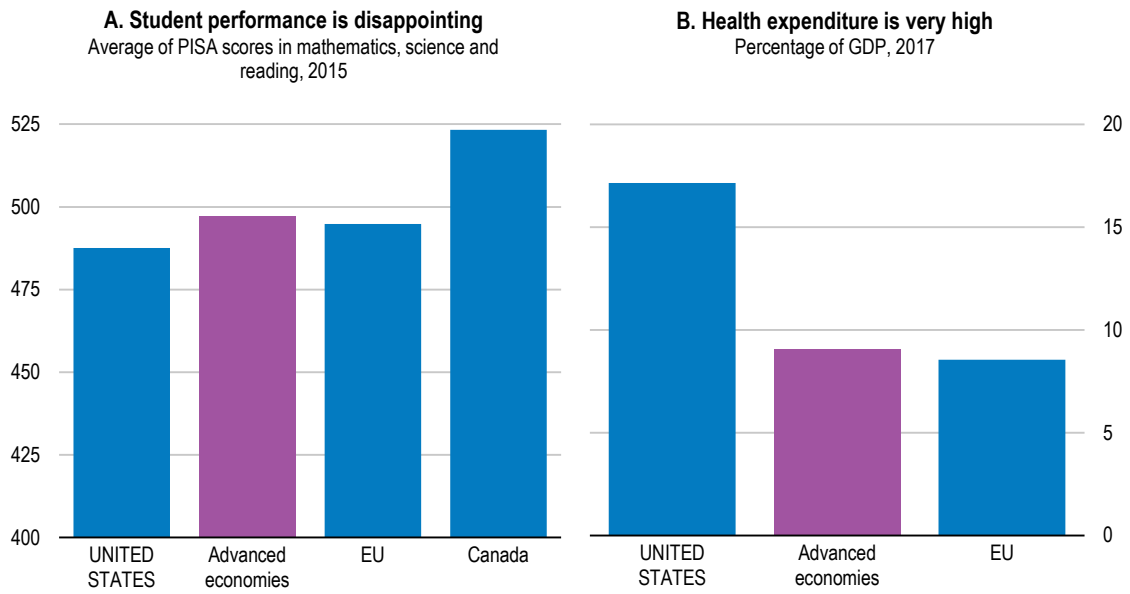
* OECD simple average (weighted average for emissions data)

Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD, Income Distribution and National Accounts Databases; United Nations Framework Convention on Climate Change (UNFCCC) Database and International Energy Agency (IEA), Energy Database; Panel C: OECD, National Accounts and Productivity Databases.



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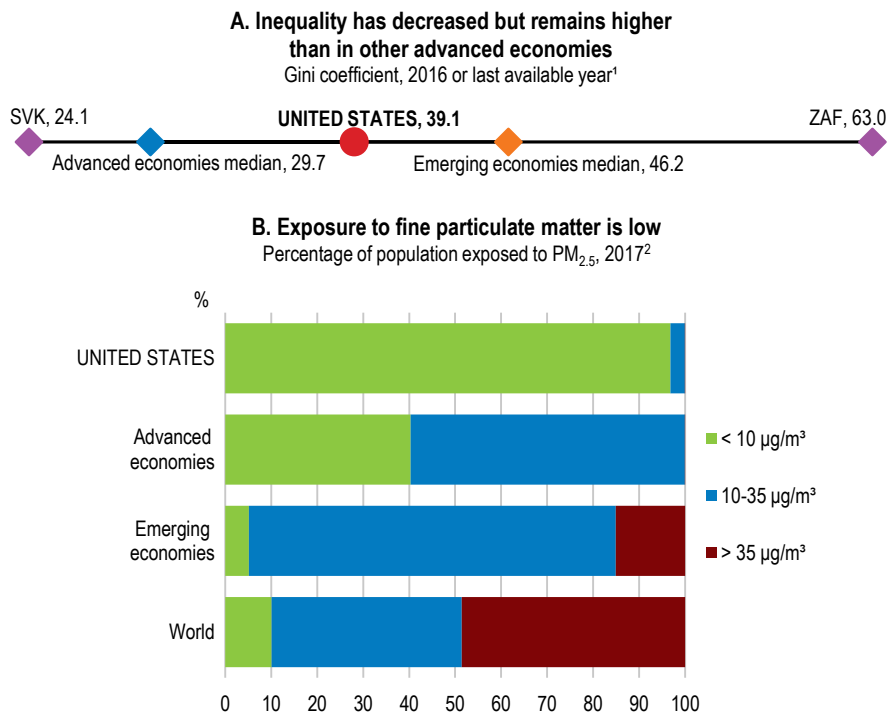
Policy indicators: United States



Source: Panel A: OECD, PISA Database; Panel B: OECD, Health Database.

StatLink <https://doi.org/10.1787/888933956339>

Beyond GDP per capita: United States



Source: Panel A: OECD, Income Distribution Database, World Bank, World Development Indicators Database and China National Bureau of Statistics; Panel B: OECD, Environment Database.

Note: For the explanation of the sets of indicators above, please go to the metadata annex at the end of this chapter.

StatLink <https://doi.org/10.1787/888933957213>

United States: *Going for Growth 2019* priorities

Improve, maintain and rationalise infrastructure. Public infrastructure provision is not keeping pace with the evolving economy and the poor co-ordination of decisions across jurisdictions is contributing to congestion, urban sprawl, and environmental degradation.

- **Actions taken:** No action taken. Plans have been announced to boost public spending and encourage private spending on infrastructure, although the legislative details and associated appropriations have not been developed.
- **Recommendations:** Boost investment in, and maintenance of, infrastructure. Promote mass transit, and use federal programmes to encourage co-ordination across state and local jurisdictions. Implement user fees based upon distance travelled and congestion, to help fund transportation and to encourage users to internalise the broader costs of congestion, emissions such as carbon and particulate matter, and pavement damage. Expand federal programmes designed to improve access to fixed broadband.

Strengthen active labour market policies. Some displaced workers no longer possess skills that are in high demand by employers and are likely to suffer long bouts of unemployment or exit the labour market.

- **Actions taken:** No action taken. The Department of Labor is working to expand the use of apprenticeships.
- **Recommendations:** Expand funding for reskilling, building on programmes that, in the past, have shown effectiveness in facilitating reemployment.

Improve equality of opportunity and strengthen outcomes in education. Some segments of the population – including children from poor families, females with young children, and persons with criminal records – still lack opportunities to acquire skills valued highly by employers and to sustain employment.

- **Actions taken:** Under the implementation of the Every Student Succeeds Act, peer reviews of plans developed by State education agencies in 2017 are underway.
- **Recommendations:** Use targeted federal funding to reduce disparities in student opportunities and encourage States to be ambitious in lifting educational attainment. Require paid parental leave and improve access to quality childcare to help reduce wage gaps and improve career prospects. Expand earned income tax credits. Reduce pre-screening for employment to increase the employability of those with criminal records.

Improve the efficiency of the health care sector. The US devotes a much larger share of its resources to healthcare than other OECD countries, and these resources can be used more productively.

- **Actions taken:** In 2017 the U.S. Food and Drug Administration has taken steps to increase competition in the market for prescription drugs and facilitate entry of low-cost alternatives.
- **Recommendations:** Continue to conduct pilot programmes of Medicare provider payment systems, utilise research by the Patient-Centered Outcome Research Institute and others that compares the effectiveness of different prescription drugs and treatments. Ensure that cost-saving measures thus identified are rolled out, and monitor their impact. Monitor developments in the increase of coverage.

***Reduce the burden of regulation, zoning and licencing.** Regulatory burdens and federal, state and local government restrictions hinder the business environment.

- **Recommendations:** Privatisise state-owned utilities and transport authorities. Ease restrictions in services trade. Encourage state and local governments to deregulate occupational licensing and recognise credentials granted in other states. Use seed money to encourage states and localities to remove zoning restrictions or move to multi-use zoning.

* New policy priorities identified in *Going for Growth 2019* (with respect to *Going for Growth 2017*). No action can be reported for new priorities.

Annex 4.A. Metadata annex

Argentina

Growth performance, inequality and environment indicators

1. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
2. Total GHG emissions in CO₂ equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition. GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
3. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of total employment has been estimated for Australia, Canada, Japan and the United States.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2017 for Argentina.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Australia

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. 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 students used in the analysis.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.

2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Austria

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.

2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.

3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. Situation of a single person at average earnings without children.

2. Defined as the estimated coefficient from the country-specific regression of PISA reading performance on corresponding index of economic, social and cultural status (ESCS).

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Belgium

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. This composite indicator aggregates 13 insolvency indicators across 4 dimensions: treatment of failed entrepreneurs, prevention and streamlining, restructuring tools and other factors. Calculations are based on the OECD questionnaire on insolvency regimes which collected specific information about personal and corporate insolvency regimes.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Brazil

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Total GHG emissions in CO₂ equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition. GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of total employment has been estimated for Australia, Canada, Japan and the United States.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2017 for Brazil.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Canada

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. The gap is unadjusted and defined as the difference between median earnings of men and women relative to median earnings of men. Data refer to full-time employees and self-employed.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.

2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Chile

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.

2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.

3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For Chile, the last available year is 2013. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2015 for Chile.

2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural

sources, in $\mu\text{g}/\text{m}^3$) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

China

Growth performance, inequality and environment indicators

1. Labour utilisation is defined as the ratio of total employment over population.
2. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
3. Total GHG emissions in CO₂ equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition. GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
4. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of total employment has been estimated for Australia, Canada, Japan and the United States.

Policy indicators

1. Data refer to 2016 for China.
2. Rule of law captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2017 for China.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in $\mu\text{g}/\text{m}^3$) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Colombia

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.

3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

4. Total GHG emissions in CO₂ equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition. GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of total employment has been estimated for Australia, Canada, Japan and the United States.

Policy indicators

1. The trade facilitation indicator (TFI) identify areas for action and enable the potential impact of reforms to be assessed and help governments to improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade. The TFI presented here is an average of information, advanced rulings and procedures.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2017 for Colombia.

2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Costa Rica

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.

2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.

3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

4. Total GHG emissions in CO₂ equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition. GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. Data refer to 2017 for Costa Rica, 2016 for Chile and Colombia and 2014 for Argentina.
2. LAC-5 refer to Argentina, Brazil, Chile, Colombia and Mexico.
3. The trade facilitation indicator (TFI) identify areas for action and enable the potential impact of reforms to be assessed and help governments to improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade. The TFI presented here is an average of information, advanced rulings and procedures.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2017 for Costa Rica.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Czech Republic

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. Mothers with young children refer to working-age mothers with at least one child aged 0 to 14 years. The employment gap is the difference between the employment rate of prime-age men (25-54 year-olds) and that of mothers with young children, expressed as a percentage of the employment rate of prime-age men.
2. The normal retirement age is defined as the age of eligibility to all components of the pension system in 2016, assuming labour market entry at age 20.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Denmark

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2015 for Denmark.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Estonia

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. This composite indicator aggregates 13 insolvency indicators across 4 dimensions: treatment of failed entrepreneurs, prevention and streamlining, restructuring tools and other factors. Calculations are based on the OECD questionnaire on insolvency regimes which collected specific information about personal and corporate insolvency regimes.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

European Union

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. OECD Services Trade Restrictiveness Index (STRI).
2. EU refers to all 28 members of the European Union.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Finland

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. The VAT revenue ratio (VRR) is the ratio of the actual value-added tax (VAT) revenue collected and the revenue that would theoretically be raised if VAT was applied at the standard rate to all final consumption. This ratio gives an indication of the efficiency and the broadness of the tax base of the VAT regime in a country compared to a standard norm. It is calculated by the following formula: $VRR = \text{VAT revenue} / ([\text{consumption} - \text{VAT revenue}] \times \text{standard VAT rate})$. VAT rates used are standard rates applicable as at 1 January.

2. Couples where the first earner earns 100% of the average wage and the second earns 67% of the average wage. For Finland childcare benefits refer to childcare and other benefits.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2017 for Finland.

2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

France

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.

2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.

3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. Situation of a single person at average earnings without children.
2. Defined as the estimated coefficient from the country-specific regression of PISA reading performance on corresponding index of economic, social and cultural status (ESCS).

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Germany

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. The main earner earns the average earnings and the secondary earner earns 67% of the average earnings of a full-time worker in a family of a married couple with two children.
2. A socio-economically disadvantaged student is a student in the bottom quarter of the distribution of the PISA index of economic, social and cultural status (ESCS) within the country.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Greece

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. The VAT revenue ratio (VRR) is the ratio of the actual value-added tax (VAT) revenue collected and the revenue that would theoretically be raised if VAT was applied at the standard rate to all final consumption. This ratio gives an indication of the efficiency and the broadness of the tax base of the VAT regime in a country compared to a standard norm. It is calculated by the following formula: $VRR = \text{VAT revenue} / ([\text{consumption} - \text{VAT revenue}] \times \text{standard VAT rate})$. VAT rates used are standard rates applicable as at 1 January.

2. PIAAC level of proficiency in literacy is defined by particular score-point ranges and the level of difficulty of the tasks within these ranges. Adults scoring at proficiency level 1 or below are only able to perform basic arithmetic operations with whole numbers, whereas adults attaining the highest scores have proven to master analysis and more complex reasoning about quantities and data (level 4) or the ability to draw inferences and work with mathematical arguments and models (level 5).

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.

2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Hungary

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.

2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.

3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. Average labour tax wedge for a single person without children earning 67% of the average wage.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2014 for Hungary.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Iceland

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. EU refers to all 28 members of the European Union.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2015 for Iceland.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

India

Growth performance, inequality and environment indicators

1. Labour utilisation is defined as the ratio of total employment over population.
2. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
3. Total GHG emissions in CO₂ equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition. GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
4. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of total employment has been estimated for Australia, Canada, Japan and the United States.

Policy indicators

1. Non-performing loans (NPLs) are loans which ceased to generate income for the bank.
2. For India, data refer to 2015 and include capital expenditure by health care providers.

Beyond GDP per capita

1. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Indonesia

Growth performance, inequality and environment indicators

1. Labour utilisation is defined as the ratio of total employment over population.
2. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality. For Indonesia, the Gini coefficient is based on consumption.
3. Total GHG emissions in CO₂ equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition. GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

4. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of total employment has been estimated for Australia, Canada, Japan and the United States.

Policy indicators

1. The Corruption Perceptions Index aggregates data from different sources that provide perceptions of business people and country experts of the level of corruption in the public sector. Index scale of 0-100 where 0 corresponds to the highest level of perceived corruption and 100 to the lowest level of perceived corruption.

Beyond GDP per capita

1. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Ireland

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.

2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.

3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. The VAT revenue ratio (VRR) is the ratio of the actual value-added tax (VAT) revenue collected and the revenue that would theoretically be raised if VAT was applied at the standard rate to all final consumption. This ratio gives an indication of the efficiency and the broadness of the tax base of the VAT regime in a country compared to a standard norm. It is calculated by the following formula: $VRR = \frac{\text{VAT revenue}}{([\text{consumption} - \text{VAT revenue}] \times \text{standard VAT rate})}$. VAT rates used are standard rates applicable as at 1 January.

2. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. Marginal labour tax wedge for a single person earning 67% of the average wage, with two children.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2015 for Ireland.

2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Israel

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.

2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.

3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For Israel, the last available year is 2014. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2017 for Israel.

2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Italy

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. At 100% of average worker earnings for the first earner and average of the three situations regarding the wage of the second earner (0%, 33% and 67% of average earnings).

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Japan

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. The gap is unadjusted and defined as the difference between median earnings of men and women relative to median earnings of men. Data refer to full-time employees and self-employed.

2. EU refers to all 28 members of the European Union.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2015 for Japan.

2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Korea

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.

2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.

3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For Korea, the last available year is 2014. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. The gap is unadjusted and defined as the difference between median earnings of men and women relative to median earnings of men. Data refer to full-time employees and self-employed.
2. EU refers to all 28 members of the European Union.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2017 for Korea.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Latvia

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. Average labour tax wedge for a single person without children earning 67% of the average wage.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health

problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Lithuania

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. Average labour tax wedge for a single person without children earning 50% of the average wage.
2. The World Bank strength of insolvency framework index is based on four other indices: commencement of proceedings index, management of debtor's assets index, reorganization proceedings index and creditor participation index. The index ranges from 0 to 16, with higher values indicating insolvency legislation that is better designed for rehabilitating viable firms and liquidating nonviable ones.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Luxembourg

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). In the case of Luxembourg, the population is augmented by the number of cross-border workers in order to take into account their contribution to GDP. The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. Measured as 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 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.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Mexico

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For Mexico, the last available year is 2013. Instead of 2010-16, data refer to the average of years 2010 and 2013. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. LAC-5 refer to Argentina, Brazil, Chile, Colombia and Peru. Graduation rate data are missing for Peru and STRI data are missing for Argentina and Peru.
2. Index scale from 0-1 from least to most restrictive. Geometric average of all sectors.
3. Restrictions are evaluated on a 0 (open) to 1 (closed) scale.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Netherlands

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. Marginal labour tax wedge for a single person without children at average earnings.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

New Zealand

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. The last available year is 2014 for New Zealand. Share of household gross adjusted disposable income spent on housing and maintenance of the house, as defined in the System of National Accounts. It includes actual and imputed rentals for housing, expenditure on maintenance and repair of the dwelling, on water supply, electricity, gas and other fuels, as well as the expenditure on furniture, furnishings, household equipment and goods and services for routine home maintenance.
2. 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 students used in the analysis.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2014 for New Zealand.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Norway

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). GDP per capita (Mainland) excludes petroleum production and shipping. While total GDP overestimates the sustainable income potential, mainland GDP slightly underestimates it since returns on the financial assets the petroleum fund holds abroad are not included. The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. For Norway, data refer to non-oil tax revenue as a percentage of mainland GDP.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2017 for Norway.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Poland

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.

2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Portugal

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.

2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.

3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. The VAT revenue ratio (VRR) is the ratio of the actual value-added tax (VAT) revenue collected and the revenue that would theoretically be raised if VAT was applied at the standard rate to all final consumption. This ratio gives an indication of the efficiency and the broadness of the tax base of the VAT regime in a country compared to a standard norm. It is calculated by the following formula: $VRR = \text{VAT revenue} / ([\text{consumption} - \text{VAT revenue}] \times \text{standard VAT rate})$. VAT rates used are standard rates applicable as at 1 January.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Russian Federation

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. Geometric average of all sectors.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2015 for the Russian Federation.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Slovak Republic

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Slovenia

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. Marginal labour tax wedge for a single person without children earning 167% of the average wage.

2. The normal retirement age is defined as the age of eligibility to all components of the pension system in 2016, assuming labour market entry at age 20.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.

2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

South Africa

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.

2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.

3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

4. Total GHG emissions in CO₂ equivalents from the International Energy Agency (IEA) database. This data conform to UNFCCC GHG emission calculations but are not directly comparable to data for Annex I countries due to definitional issues. The OECD average is calculated according to the same definition. GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. The last available year is 2013 for South Africa.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2014 for South Africa.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Spain

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Sweden

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2017 for Sweden.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Switzerland

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality. Interpretation of developments in inequality is limited by the short time period of the data.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.

5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. The gap is unadjusted and defined as the difference between median earnings of men and women relative to median earnings of men. Data refer to full-time employees and self-employed.
2. EU refers to all 28 members of the European Union.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2015 for Switzerland.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

Turkey

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia. Data refer to 2015 for Turkey.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data. Data refer to 2015 for Turkey.

United Kingdom

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
5. Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2010 PPPs). The 2018 value of the average hours worked per person employed has been estimated for Australia, Canada, Finland, Israel, Mexico, Switzerland, Turkey and the United States.

Policy indicators

1. Second earner taking up employment at 67% of average wage with the first earner at the average wage.
2. PIAAC level of proficiency in literacy is defined by particular score-point ranges and the level of difficulty of the tasks within these ranges. Adults scoring at proficiency level 1 or below are only able to perform basic arithmetic operations with whole numbers, whereas adults attaining the highest scores have proven to master analysis and more complex reasoning about quantities and data (level 4) or the ability to draw inferences and work with mathematical arguments and models (level 5).

Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

United States

Growth performance, inequality and environment indicators

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini coefficient measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Greenhouse gas (GHG) emissions including emissions or removals from land-use, land-use change and forestry (LULUCF). GDP is expressed in USD, at constant 2010 prices and PPPs. For the share in global GHG emissions, the last available year is 2015.
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Beyond GDP per capita

1. Inequality is measured by the Gini coefficient for disposable income. Emerging economies median excludes India and Indonesia.
2. According to the World Health Organisation (WHO), exposure to fine particulate matter (PM_{2.5}) has significant adverse effects on health compared to other pollutants. Inhaled PM_{2.5} cause serious health problems (respiratory and cardiovascular diseases), having most serious effects on children and elderly persons. The estimates of chronic outdoor exposure to PM_{2.5} (from both anthropogenic and natural sources, in µg/m³) are derived from satellite observations, chemical transport models and ground monitoring stations. Population exposure to air pollution is calculated by weighting concentrations with populations in each cell of the underlying gridded data.

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Economic Policy Reforms

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The *Going for Growth* report, updated biennially, looks at structural reforms in policy areas that have been identified as priorities to boost incomes in OECD countries and selected non-OECD economies (Argentina, Brazil, the People's Republic of China, Colombia, Costa Rica, India, Indonesia, the Russian Federation and South Africa). The selection of priorities and monitoring of reform actions are supported by internationally comparable indicators that enable countries to assess their economic performance and structural policies in a wide range of areas. In addition to detailed policy recommendations to address the priorities, as well as a follow-up on actions taken in the recent years, the report includes individual country notes and, since 2017, a focus on inclusive growth. The 2019 report also includes a special chapter on reform packages that boost growth while ensuring environmental sustainability, a new extension of the *Going for Growth* framework.

Consult this publication on line at <https://doi.org/10.1787/aec5b059-en>.

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