

The G20's Enhanced Structural Reform Agenda: Some progress, but more reforms needed

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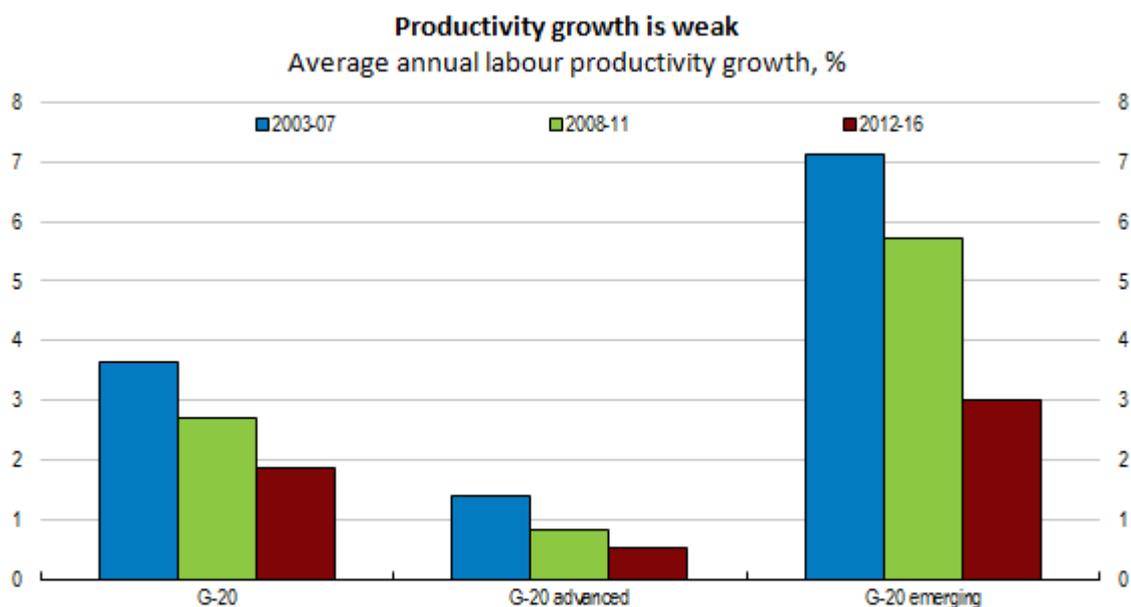
As G20 Finance Ministers and Central Bank Governors meet in Washington, there are signs that the growth prospects for their economies are improving. Recent indicators point to rising business confidence and industrial production in many countries, and fiscal initiatives in major economies are helping to support activity.

A pick-up for the global economy in 2017 would be very welcome after five years of sluggish growth, but we have not yet decisively escaped the low-growth trap. Productivity and wage growth remain weak, and inequality and political uncertainties are high. Financial vulnerabilities and policy risks could derail the recovery. In short, the G20 has yet to achieve its objective of strong, sustainable, balanced and inclusive growth.

In a push to address these challenges, under the Chinese Presidency in 2016 the G20 agreed to an Enhanced Structural Reform Agenda. This comprised G20 priority areas and guiding principles for structural reform, and a system of quantitative indicators to track the evolution of policy settings and outcomes. The OECD was tasked to assess progress and has just delivered the first report under the G20's Enhanced Structural Reform Agenda to Ministers and Governors. It provides an overview of collective G20 progress and individual notes assessing progress for each G20 member country since the onset of the crisis.

The report shows that the G20 has made progress recently in a

number of areas. Emerging economies have undertaken significant reforms to boost productivity by promoting trade and competition, improving infrastructure and encouraging innovation. In advanced economies, policy actions have generally focused on boosting employment and skills after labour markets were hit by the crisis. Employment outcomes are mixed, with the share of people in work having fallen since the crisis in China, India, Japan and the US, but increased in Germany, Indonesia, Turkey and the UK. However, overall productivity performance for the G20 has been disappointing, with labour productivity growth falling significantly since the crisis.



Note: G-20 emerging aggregate includes Argentina, Brazil, China, India, Indonesia, Mexico, Russia, Turkey, Saudi Arabia and South Africa. G-20 advanced aggregate includes the remaining G-20 countries.

Source: OECD National Accounts database; and OECD Productivity database.

While inequality has been decreasing for the G20 collectively, it has increased within many G20 countries. Poor outcomes and stagnation for people with low and middle incomes, particularly in advanced economies, raise concerns that many are not sharing in the gains from growth. Some progress has been made on environmental sustainability, but G20 countries have yet to act in order to achieve the long-term objectives

set out in the Paris agreement.

In addition, we should be concerned about a waning of ambition on structural reform –for example, the OECD’s recent *Going for Growth 2017* report shows that the pace of reforms has slowed in recent years. In particular, the G20’s policy actions can be stepped up on promoting trade and investment openness, reforming tax structures and improving public spending efficiency. Much more can also be done to achieve greater inclusiveness through pro-growth structural reforms and reform packages that reduce inequalities.

The specific structural reform priorities under the G20’s Enhanced Structural Reform Agenda differ across countries, but each G20 country can pursue more ambitious policy packages to boost productivity and inclusiveness together. By identifying the areas where progress is needed, this report helps countries to develop and deliver ambitious Growth Strategies for the Hamburg Summit in July. Doing so would help to ensure a strong recovery and put the global economy on a higher and more inclusive growth path.

References

OECD Technical Report on Progress on Structural Reform Under the G-20 Enhanced Structural Reform Agenda, April 2017.

OECD *Going for Growth 2017*, March 2017.