

# The time for reform is now to respond to global challenges

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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!

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