

The G20's Enhanced Structural Reform Agenda: Real progress but not good enough

by Tomasz Kozluk, Nicolas Ruiz, Agnes Cavaciuti, Dorothee Rouzet, Oliver Röhn, Lukas Lehner, and Colombe Ladreit de Lacharrière, Aida Caldera Sánchez and Asa Johansson

The global economy is fragile. In the OECD's November Economic Outlook global growth is projected to have slowed to 2.9% in 2019 and barely reach 3% in 2020. Persistent trade conflicts and high uncertainties are undermining confidence, trade and investment. The consequences can be long-lasting, with a real risk of the global economy being locked into a long period of structurally low growth. As a result, it will be more difficult to deliver broad gains in productivity, wages and living standards making people's lives better, for all.

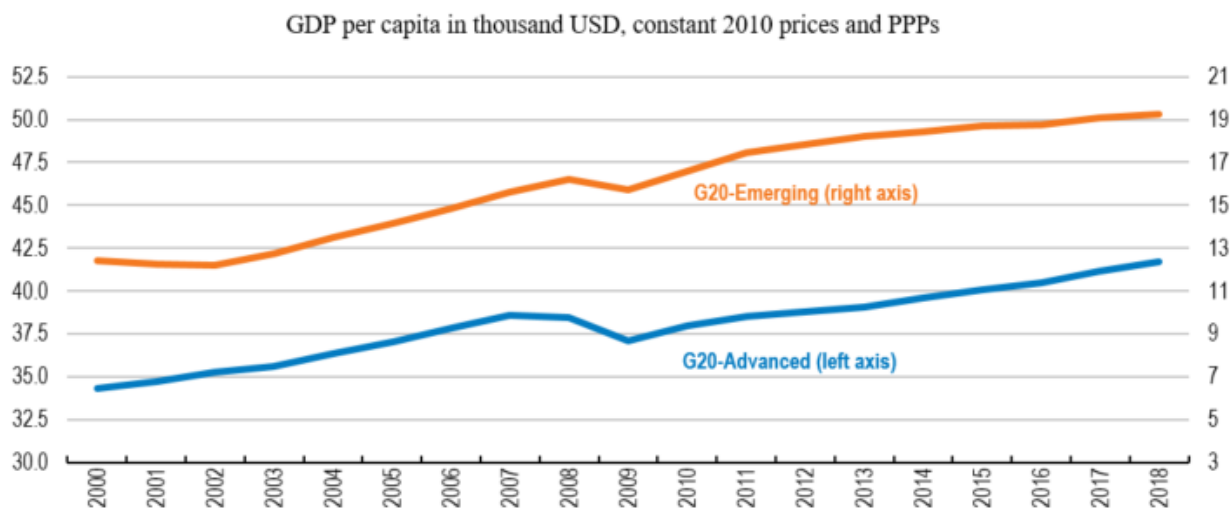
The global economic slowdown comes on top of increasing pressures from global "mega-trends". Globalisation, digitalisation, population ageing and environmental degradation are shaping tomorrow's living standards and well-being. Inequality and poverty remain major concerns, both in advanced and emerging-market G20 economies. In the absence of renewed reform dynamism, economies are poorly prepared to tackle these challenges.

In a push to address these challenges, under the Chinese Presidency in 2016 G20 leaders agreed to an Enhanced Structural Reform Agenda. This agenda comprised G20 priority areas and guiding principles for structural reform, and a set of quantitative indicators to track the evolution of policy settings and outcomes. The OECD was tasked to assess progress and has just published its second report under the G20's Enhanced Structural Reform Agenda to Ministers and Governors

(ESRA). The ESRA report provides an overview of collective G20 progress and structural policy achievements, as well as individual notes assessing progress for each G20 member country since 2017.

The report shows that the G20 has made real progress in a number of areas, but more efforts are warranted to put G20 economies on a path of rising living standards and opportunities for all. Significant examples include reforms to lift employment and make labour markets more inclusive (e.g. France or Japan). Regulatory simplification and tax policy have also been used to support firms' investment and growth in some countries (e.g. China, India, United States). These reforms mark significant progress, but there is still work to do. GDP per capita in G20 countries, both advanced and emerging, is on a lower growth path than prior to the global financial crisis. This reflects not only less favourable demographic trends but also the consequences of the past decade of sub-par investment and productivity growth. In the longer term, higher productivity growth will be crucial to ensure strong and sustainable increases in living standards.

Figure 1. GDP per capita is on a lower growth path than before the crisis



Note: Simple averages.

Source: OECD, Economic Outlook Database.

While poverty and inequality have fallen in the past decade in many emerging economies, such as Brazil and Indonesia, disposable income inequality remains high. In many advanced

economies, lower-income households benefitted little from economic growth in the years following the global financial crisis, raising 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.

Faced with these pressing challenges, G20 governments must take action to steer their economies towards stronger, more inclusive and sustainable growth. 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 agendas.

References

OECD (2019), "OECD Technical Report on Progress on Structural Reform under the G20 Enhanced Structural Reform Agenda", OECD Publishing, Paris, [oe.cd/esra-G20](https://doi.org/10.1787/esra-G20)

OECD (2019), *OECD Economic Outlook*, Volume 2019, Issue 2, OECD Publishing, Paris, <https://doi.org/10.1787/9b89401b-en>.

OECD (2019), *Economic Policy Reforms 2019: Going for Growth*, OECD Publishing, Paris, <https://doi.org/10.1787/aec5b059-en>.

OECD (2017), "OECD Technical report on "Progress on Structural Reform Under the G20 ESRA", OECD Publishing, Paris, April.