

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

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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.

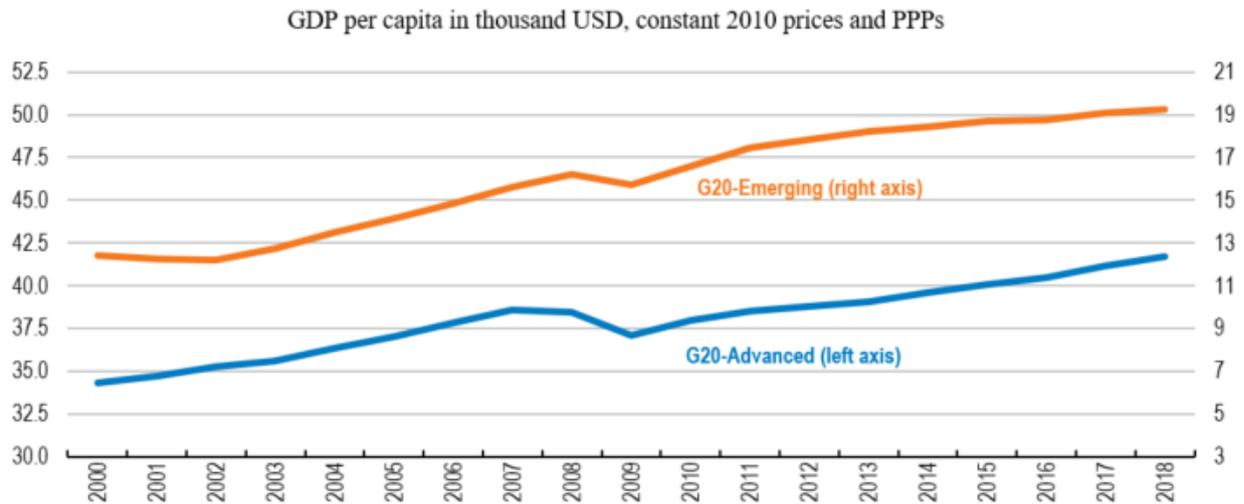
The global economic slowdown comes on top of increasing pressures from global "mega-trends". [Globalisation](#), [digitalisation](#), [population ageing](#) and [environmental degradation](#) are shaping tomorrow's living standards and well-being. Inequality and poverty remain major concerns, both in 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

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

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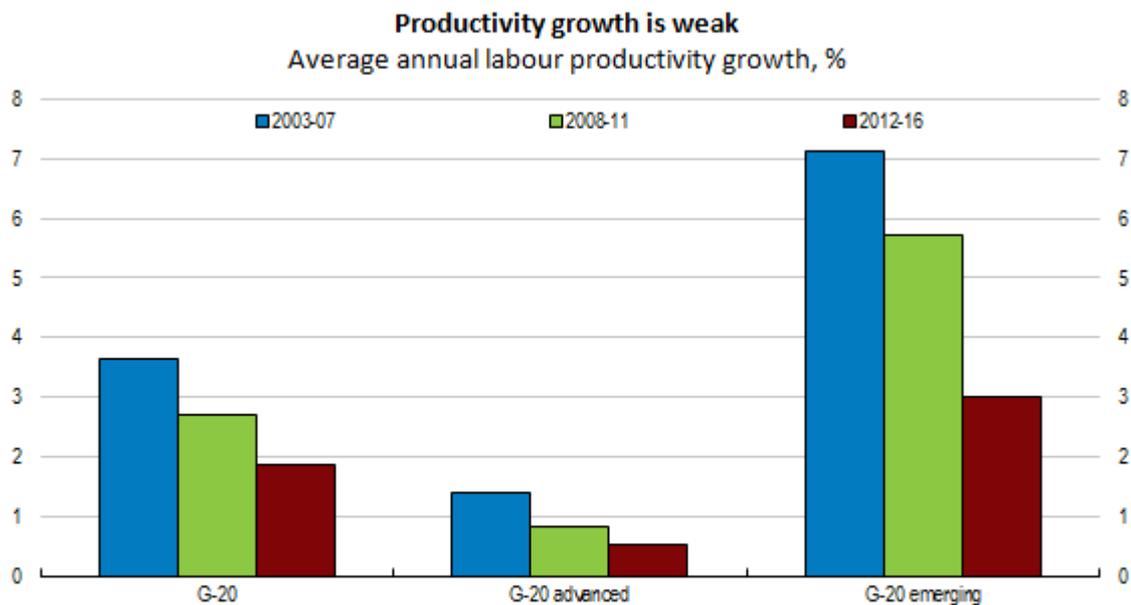
As G20 Finance Ministers and Central Bank Governors meet in Washington, there are signs that the growth prospects for their economies are improving. Recent indicators point to

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.

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